

Sweden's Quiet Quest: Nuclear Arms Option

Buried Reactor, Dormant 2 Decades, Could Be Started Up on Short Notice

By Steve Coll

Washington Post Service

STOCKHOLM — In the Stockholm suburb of Agesta, a small rock hillock rises amid pine forests and horse farms. It might be just another playground for Scandinavian climbers but for one startling feature: Protruding from the top of the mound, like a missile peeking from a silo, is the conical tip of a nuclear reactor cooling tower.

Thirty years ago, this 65-megawatt reactor buried 45 meters (150 feet) deep and capable of sizable plutonium production was a key component of a vigorous Swedish program to develop a nuclear bomb option, a project that at its Cold War height secretly employed 350 scientists and technicians at the Defense Ministry.

Now international nuclear inspectors are discovering that some key elements of that Swedish bomb project have been quietly preserved for the more than 25 years since Sweden pledged to be a nonnuclear state.

For two decades, Sweden has maintained its underground Agesta reactor in a condition that would permit start-up on relatively short notice, probably within several months, Swedish and other officials said.

Until this fall, Sweden did not formally disclose this fact to the International Atomic Energy Agency, which monitors compliance with the Nuclear Nonproliferation Treaty, the 1970 treaty to limit the spread of nuclear weapons, which Sweden signed. It finally did so in September as part of a voluntary, confidential experiment to help broaden and strengthen the atomic energy agency's safeguards.

Moreover, Sweden continues to maintain at its National Defense Research Establishment a small team of theoretical physicists who research nuclear weapons technology, according to the program's director, Tor Larsson. Besides current research on such topics as the theoretical performance of a nuclear bomb and the effects of nuclear explosions on a conventional military battlefield, these Swedish defense scientists possess an archive of preliminary design and technical data on nuclear

weapons, the legacy of Sweden's Cold War-era bomb project.

Swedish officials deny that any of this constitutes an effort to hold a nuclear weapons option in reserve. The nuclear weapons research is for defensive, safety and counterterrorism purposes only, they say, and the quiet maintenance of the Agesta reactor was done for technical and safety reasons, not because of defense policy.

Building a nuclear weapon "is not an option for Sweden," said Deputy Defense Minister Peter Lagerblad. "We have no will to do it."

He added, "It's out of the question." Yet, some Western analysts remain skeptical of these explanations, not because they believe Sweden intends to build a nuclear bomb any time in the foreseeable future, but because its quiet preservation of Agesta, its archive of past weapons research and its continuing research at the Defense Ministry seem to provide evidence of a plan to maintain indefinitely the key technical components of a nuclear weapons option.

"In another country, a buried reactor like that would be seen as a serious nonproliferation problem," said an official familiar with the Swedish program. The Swedish case is an example of an emerging nuclear proliferation issue. It concerns what specialists call "virtual weaponization" programs by sophisticated, industrialized countries.

Such programs involve research into key elements of a nuclear weapons capability as a hedge against an uncertain future or for defensive purposes — research that is often permissible by the treaty, if not necessarily the spirit, of the Nuclear Nonproliferation Treaty.

Japan, Germany, Italy, Switzerland, Canada, South Korea and Taiwan are all believed by Western analysts to have conducted at least some secret nuclear weapons research as a hedge during the Cold War period. Some may be continuing aspects of that work without necessarily violating their treaty obligations.

By its recent decision to volunteer for the experimental atomic energy agency

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French UN peacekeepers standing guard Friday at Sarajevo airport in front of the building where United Nations officials were meeting with representatives of Bosnia's warring parties in an attempt to reach a cease-fire agreement.

U.S. Gives Up on Forcing Out OECD Chief

By Alan Friedman

International Herald Tribune

PARIS — A privately negotiated deal between France and Canada has forced the United States to abandon its campaign to replace Jean-Claude Paye immediately as head of the economic think-tank of the world's richest industrial nations.

The deal was approved last week by President Bill Clinton during a meeting with Prime Minister Jean Chretien of Canada. U.S. officials said Friday. It would allow Mr. Paye, 59, whose tenure ended Sept. 30, to stay on as secretary-general of the Organization for Economic Cooperation and Development until June 1996.

Mr. Paye, a former French Foreign Ministry official whose removal has been sought by the United States for the last six months, would then be replaced for a full five-year term by Donald Johnston, a former Canadian politician who had been Washington's first choice to run the Paris-based institute.

The deal to keep Mr. Paye angered diplomats from several of the 25 member nations of the OECD, and it could still be blocked on Monday, when OECD delegation heads hold an informal meeting in Paris. Approval of a new OECD chief needs to be unanimous.

Among those governments said by diplomats to be most upset over the deal were Japan and some Nordic members of the organization. A Japanese diplomat in Paris said Friday that final instructions from Tokyo had not yet arrived, but that "in principle we are against it because it is a very strange deal and we are really wondering if this is the best way to revitalize the OECD."

He added that Japan had cooperated "until now" with the United States, which has argued that Mr. Paye needs to be replaced in order to reinvigorate the Paris-based group. Critics of the OECD have said that under Mr. Paye's leadership, the organization has been slow-moving and overly bureaucratic when governments need more timely international economic policy analysis.

France enjoys influence by virtue of its nationals running such institutions as the International Monetary Fund and European Commission. But it was not immediately clear what concrete benefits — beyond prestige — the government of Prime Minister Edouard Balladur hopes to gain by having Mr. Paye at the helm of the OECD for 18 more months. Still, diplomats from several nations said that France had conducted an unrelenting campaign on his late Friday.

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NATO Warns Of Air Strikes After Serbs Shell Bihac

Warplanes Sent by Allies To Seek Out Artillery Are Fired On by Missiles

By William Drozdiak

Washington Post Service

ZAGREB, Croatia — As Serbian forces penetrated deeper inside the Bosnian Muslim enclave of Bihac, NATO warplanes took to the skies Friday, brandishing the threat of another major air strike in a frantic effort to prevent the rebel Serbs from capturing the haven that now harbors close to 200,000 civilians.

NATO planes were ordered to conduct their third air strike in five days against Serbian targets late Friday after Serbian troops lobbed more shells into civilian areas inside the Bihac pocket. But after flying over the area nearly an hour and drawing some errant anti-aircraft fire, the planes could not find their targets and returned to their bases in Italy, United Nations officials said. (Indecision is criticized, Page 4)

The latest Western military action was ordered after UN officials worked feverishly throughout the day trying to broker a cease-fire in Bihac that would then be extended throughout the Bosnian theater.

The Serbs are demanding that the mostly Muslim soldiers within the Bihac safe area be removed and the zone completely demilitarized before they consent to a general cease-fire in Bosnia, which has been endorsed now by Bosnia's prime minister, Haris Silajdzic.

But in the absence of a firm deal, the Serbs appeared determined to intensify the military pressure on Bosnian government forces by intruding more deeply inside the UN-designated safe zone. Despite repeated warnings from the international community, the Serbs showed no signs of respecting the largest of the six ethnic sanctuaries that are designed to shield Bosnian civilians from being slaughtered.

The Bosnian Serbs appeared to have seized all of the strategic high ground in the Bihac pocket after surrounding it with the help of fellow Serbs in adjacent Croatia. "They are attacking by all means and from all sides and we are resisting," said Mr. Silajdzic, as the fighting intensified late Friday.

But UN military sources said the last line of the Bosnian government defenses appeared on the verge of collapse. They said most of the 20,000 troops in the government's 5th Army Corps had melted away, and barely 400 soldiers were left to defend Bihac town against heavily armed Serbian forces.

Amid scenes of panic and chaos, UN aid workers inside the zone said the Serbs were looting shells from the high ground into Bihac town, where Muslim refugees had swollen the population to about 70,000.

UN workers and other witnesses reached by telephone described the markets and shops swept bare of food, hospitals crammed with casualties lying in the corridors, and hordes of refugees weeping and cowering with fright as they searched for shelter.

The chief UN spokesman, Michael Williams, said there were no reports of starvation despite the fact that only 12 convoys of food and other supplies have been allowed through Serbian lines since last May. But he stressed it was urgent "to get trucks moving within the next 48 hours because now there is absolutely nothing left in the cupboard."

UN officials worked throughout the day trying to negotiate an immediate halt to the fighting, fearing that the desperate plight of the refugees in Bihac and the 1,200 Bangladeshi peacekeepers stranded there may soon result in a humanitarian nightmare.

Lieutenant General Michael Rose, the commander of the 23,000 UN troops in Bosnia, first tried to arrange a local truce in Bihac through rival military commanders. He announced Friday morning that a deal had been reached on a cease-fire, only to learn that it collapsed almost immediately, just as happened with many earlier agreements.

The Serbs have vowed to annihilate the Bosnian Army's 5th Corps, which triggered the crisis in October when its troops broke out of the pocket in a daring thrust toward central Bosnia.

Subsequently, the Serbian forces have used their superior firepower to reconquer all of the lost territory and intruded into the Bihac zone.

As Norway Nears Vote on EU, Opponents Appear to Have the Edge

By William E. Schmidt

New York Times Service

BERGEN, Norway — The meeting was billed as a discussion on whether Norway should join the European Union, but judging from the number of "no" buttons pinned to sweaters, most of those crowded into the tiny hall in rural Os this week had already made up their minds.

They listened politely while Ranveig Froyland, a pro-European member of Norway's Parliament, told

them that their jobs and their children's future would be better off inside Europe than out.

But when Hallvard Bakke, a former government aide who opposes EU membership, declared that Norway should never surrender its authority or its sovereignty to unelected bureaucrats in Brussels, the audience of farmers and retirees burst into enthusiastic applause.

"Oslo is already far enough away," said Kristin Hjertaker, a columnist for the local paper in Os, a farming village of 13,000 people on the far southern

outskirts of Bergen. "So people say, Brussels is out of the question."

On Monday, the question of whether Norway will make its future inside or outside the European Union will be decided here by voters. Norway's Nordic neighbors, Sweden and Finland, have already decided to join, in ballots taken earlier this fall.

But public-opinion surveys suggest that Norwegians remain more skeptical than their Scandinavian brethren. The beneficiaries of Europe's largest oil and gas reserves and richest fishery stocks, many Norwe-

gians do not see the advantage of closer economic and political cooperation with the rest of the continent.

"We have aluminum, we have hydroelectric power, we have fish, we have oil, and we have jobs," declared Johan Kjaegard, 73, a retiree passing out anti-EU literature in Bergen's central square. "We can stay alone and still be friends to everybody."

The most recent series of public-opinion polls this week give the anti-EU faction about 47 percent of the

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Kiosk

EU Will End Ban On Arms to Syria

BRUSSELS (Reuters) — European Union foreign ministers will lift an eight-year-old embargo on sales of arms to Syria on Monday, an EU diplomat said Friday. The decision is to be made when ministers from the 12-nation bloc meet a Syrian government delegation after a regular EU session.

The ban was imposed in 1986 after allegations of Syrian involvement in a thwarted attempt to smuggle explosives onto an El Al airliner.

Sony's Morita Resigns

Akio Morita, 73, who co-founded Sony Corp. in 1946 and turned it into one of the world's most innovative electronics companies, resigned as chairman on Friday because of health problems, the company announced. He will remain as honorary chairman, the company said. (Page 9)



NEW WORLD — East Timorese students embracing each other Friday as they arrived in Portugal, where they were given asylum after staging a sit-in at the U.S. Embassy in Indonesia to demand a guerrilla leader's release.

Republicans Seek to Scuttle Accord With North Korea

By Steven Greenhouse

Washington Post Service

WASHINGTON — Asserting that President Bill Clinton gave away far too much in the deal to halt North Korea's nuclear program, Republican leaders in Congress say they will seek to overturn the agreement by denying funds to carry it out.

Republican lawmakers said in interviews this past week that they were upset that \$4 billion in international aid was promised to North Korea even though Pyongyang is not expected to permit inspections of several of its nuclear sites for five years.

The aid is intended to help North Korea construct light-water nuclear reactors, which give up less plutonium for use in building nuclear weapons than North Korea's graphite reactors.

Japan and South Korea are expected to put up more than four-fifths of the \$4 billion to build the new reactors, while the United States is expected to spend tens of millions of dollars to provide North Korea

with heavy oil until the reactors are built. Senator Frank H. Murkowski, an Alaska Republican in line to become the chairman of the Senate subcommittee on East Asian affairs, said he would seek to block the United States from buying that oil for North Korea.

"I don't support the administration's concessions, which I find totally unacceptable," Mr. Murkowski said. "We have given away the store. I don't know what we've gotten in return other than promises."

While Japan and South Korea are putting up the bulk of the aid, some supporters of the agreement are concerned that it would become more difficult for those nations to do so politically if Congress were to bar the U.S. administration from contributing its share.

Both the Clinton administration and South Korea have criticized the Republican plans to derail the agreement.

"Any change of the accord would lead to uncontrollable instability on the Korean peninsula," said a spokesman for the Korean

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A Few Questions Await Washington's New Republican Job Seekers

By Serge F. Kovaleski

Washington Post Service

WASHINGTON — Nothing about the application initially fazed Rodney Gertz. As he filled out the form prepared by a conservative foundation that helps seekers of public-policy jobs, the 23-year-old Ivy League graduate and staunch Republican figured he was perfect for an entry-level position in the new Congress.

Then he reached Page 3.

A questionnaire covering 152 issues sought his views on, among other things, Alexander I. Solzhenitsyn, the Russian dissident and novelist; Rush Limbaugh, the conservative talk-show host; and Pope John Paul II. What were his feelings about the anti-abortion group Operation Rescue? What were his reactions to such statements as "Liberals are more

compassionate toward the plight of the poor" or "AIDS is more of a civil-rights issue than a public-health matter" or "Busing of schoolchildren to achieve racial balance is wrong"?

"It certainly seems to be a full-scale political litmus test," Mr. Gertz, who works for a Pennsylvania financial institution, said earlier this week in describing the questionnaire designed by the Leadership Institute, one of several being used by conservative job banks.

But he added, "I don't mind putting it all out there because that's what I believe."

Conservative groups have used political questionnaires for years, but they are taking on new significance as record numbers of resumes pour in from people seeking Republican staff positions in the 104th Congress. In recent years, there have been few Repub-

lican jobs, but in January, the number of committee jobs alone will skyrocket.

Although answering the queries is optional, the Leadership Institute's questionnaire cautioned that it might be difficult to assist applicants unless they painted a complete picture of their interests.

Conservative job-bank officials contend that questionnaires are not political tests or a way to weed out ideological undesirables, but a tool for matching applicants with what lawmakers are looking for.

But an aide to Representative Steven Gunderson, Republican of Wisconsin, who has a longtime male partner, said the congressman met with the incoming House speaker, Newt Gingrich of Georgia, last week object to the use of a questionnaire by the House Republican Study Committee.

The study committee, a 21-year-old research office

financed by contributions from 130 Republican representatives, has been using a questionnaire for 13 years. It covers 36 topics, including homosexuality in the military, abortion, voluntary prayer in schools, the American Civil Liberties Union and Jesse Helms of North Carolina, who will be the new chairman of the Senate Foreign Relations Committee.

Job seekers are also asked to describe their "ideology" as conservative, moderate or liberal.

"Certainly this is not the kind of thing that would fly in the private sector, and such an ideological litmus test has no place in terms of hiring practices, at least in Steve Gunderson's office," said the congressman's spokesman, Kevin Kennedy. He said Mr. Gingrich had indicated to Mr. Gunderson that he would act to

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Dow Jones	Trib Index
Up 33.64	Up 0.04%
3708.27	111.02

The Dollar	Fr. 100	Previous Close
Dm	1.5602	1.5596
Pound	1.563	1.5699
Yen	98.775	98.456
FF	5.3541	5.3406

Newsstand Prices	
Andorra.....9.00 FF	Luxembourg 60 L Fr
Antilles.....11.20 FF	Morocco.....12 Dh
Cameroon.....1.400 CFA	Qatar.....8.00 Rials
Egypt.....E.P. 5000	Reunion.....11.20 FF
France.....9.00 FF	Saudi Arabia.....9.00 R
Gabon.....960 CFA	Senegal.....960 CFA
Greece.....300 Dr.	Spain.....200 PTAS
Italy.....2,650 Lira	Tunisia.....1,000 Din
Ivory Coast.....1,120 CFA	Turkey.....T.L. 35,000
Jordan.....1 JD	U.A.E.....8.50 Dirh
Lebanon.....US\$ 1.50	U.S. Mil. (Eur.) \$1.10

سكرا من الاربعين

In Money Laundering, a More Complex Cycle

By Alan Cowell

New York Times Service

ROME — The shipment of cocaine left Colombia for West Africa, but that was not its true destination. From there, some went to Ethiopia and on to Europe, along the smugglers' trails once used for cigarettes and marijuana. Some went to Asia. Some trickled to a blossoming new market of drug abusers in South Africa.

Then came the reverse route, the skillful manipulation of dirty street money through former Soviet republics, offshore banks and major stock exchanges, until it emerged as legitimate cash for the buying and selling of a hotel in Bogotá.

As outlined Thursday by officials in Naples at a major United Nations conference on organized crime, it is not just the growers, smugglers and assassins who make the worldwide drug trade a scourge, but a new breed of skilled money managers, lawyers and other professionals in the pay of the mob.

Devising ever more complex ways of laundering money, they handle some \$750 billion every year.

"What's changing is the organizational complexity," said Ernesto Savona, professor of criminology at the University of Trento, in northern Italy. "You have more and more professional adversaries. The two main trends of organized crime are professionalism and complexity."

Linked to that are increasing worries that financial conveniences like offshore banking and banking secrecy, long the cherished preserves of private enterprise, have been put to highly effective use by the mob.

"If banking secrecy were lifted, it would be much more difficult for organized crime to hide the source of its money," said Pino Ariacchi, a leading Italian expert on the Mafia.

Giorgio Giacomelli, head of the UN International Drug Control Program in Vienna, referring to banks that operate outside traditional banking laws, added: "Offshore banks are not illegal in themselves. They serve a purpose. In an economy that's more and more global, they provide a way of moving money around quickly and efficiently. But the danger is

obvious: this is also used to launder money."

When the conference of 138 delegates closed Thursday, its final resolution urged UN members to "strengthen and enhance wherever possible" their efforts to combat organized crime syndicates, and called the spread of international crime operations a "threat to the internal security and stability of sovereign states."

The delegates also urged stronger action against money laundering, which some experts see as a possible key to striking mobsters where it hurts most, in their wallets.

The alarms sounded in Naples reflect concerns that as crime has flourished, much else has changed.

By long tradition, banking secrecy and numbered accounts were associated primarily with such financial bastions as Zurich, Vienna and Luxembourg, and the money came mainly from the drug trade.

But, UN officials say, as these banking centers slowly yield a few secrets to narcotics investigators, a whole new array of less reputable banks is springing

up across the former Soviet Union, in part because of the collapse of communism's controls on people and borders.

"In Russia, dozens of new banks and financial institutions are created, even with a very small capital of \$100,000," Mr. Giacomelli said. "The transition from a controlled to a free-market economy opens so many possibilities for criminal transactions."

Investigators are also hampered by international conventions that enable them to bypass banking secrecy only in the case of narcotics inquiries. Otherwise, in some countries it is an offense for a bank official to disclose details of accounts.

The world's increasingly coordinated and sophisticated crime syndicates, by contrast, now deal in everything from human organs for transplant to nuclear materials; with their money laundered, they put their investments into legal business. Only a few years back, said Mr. Savona, Neapolitan gangsters bought the casino at Menton, on the French Riviera, used it to launder money and invested the proceeds in real estate.

Optimistic On Budget, Berlusconi Holds On

Reuters

ROME — Prime Minister Silvio Berlusconi, weakened by a corruption investigation but determined to stay in office, rejected again on Friday opposition calls for his resignation, as aides talked optimistically of a budget deal with trade unions that could help him survive the political turmoil.

"I can guarantee you that as far as the prime minister is concerned, I have a firm desire to carry on," Mr. Berlusconi said.

He said that a cabinet review scheduled for Tuesday should concentrate on establishing whether there was enough consensus on the government's program to remain in power.

"We will look at everything we have pledged to do and will set dates for when we plan to do it," Mr. Berlusconi said.

Mr. Berlusconi said shortly before talks with President Oscar Luigi Scalfaro, their first since the prime minister was told on Tuesday that he was under investigation.

Mr. Berlusconi subsequently described the 90-minute meeting with Mr. Scalfaro as a routine consultation and without a mention of the inquiry against him, appealed for calm.

"I think we must all try to lower the temperature," he said. Mr. Berlusconi had earlier repeated that he would step down if his coalition, in office six months, failed to pledge its support for him and his program.

"There will be an immediate decision to quit if it were to become clear that the governing majority cannot hold, cannot give the country what it needs," he said.

Magistrates are expected to question Mr. Berlusconi over the weekend. He is the first serving prime minister to come under investigation in Italy's almost three years of graft scandals.

The prime minister and union leaders have agreed to meet Wednesday amid signs that they are close to an agreement to decouple pension reform from the budget.

"It looks probable, let's say between probable and possible," said a spokesman for Mr. Berlusconi, Jas Gawronski. "If I had to bet, I would say it is more than 50 percent."

Plans to cut spending on pensions and health have provoked mass protests in recent weeks.

Unions plan an eight-hour general strike against the budget on Dec. 2. Success at the meeting could avert the strike and smooth the budget's passage through the upper house of Parliament, where the government is short of an absolute majority.

WORLD BRIEFS

2 Parties Form Coalition in Austria

VIENNA (Reuters) — Austria's Social Democratic and conservative parties announced the formation of a coalition government on Friday nearly seven weeks after suffering their worst results in a general election since 1945.

The Social Democratic Party and the Austrian People's Party agreed to make big cuts in public spending commitments in what would amount to one of the most radical reform programs in years. Trade union leaders, acknowledging the need for savings, have said they would fight the government if it went too far.

Prosecutors Clear Owner of Harrods

LONDON (Reuters) — Mohamed al Fayed, the owner of Harrods department stores, has been cleared of suspicions that he tried to blackmail the government, Britain's Crown Prosecution Service said Friday.

The office said there was no evidence that a criminal offense had been committed by Mr. Fayed when a person claiming to be his intermediary met Prime Minister John Major in September and threatened to reveal damaging facts about the behavior of government ministers.

Mr. Fayed reacted to the announcement by saying he had been totally vindicated of unfair and untrue allegations. "I trust that the prime minister will take the earliest opportunity to set the record straight," he said.

5 Are Killed in Pretoria Taxi Battle

PRETORIA (AP) — Rival drivers fired assault rifles and threw gasoline bombs into minibuses taxis Friday at a gathering place for commuters, killing five people and incinerating seven vehicles, the police said.

The violence at the Hammanskraal taxi shelter north of Pretoria was linked to an ongoing battle for dominance between rival gangs in the taxi industry serving South Africa's black workers.

Chechen Opposition Launches Attack

MOSCOW (AP) — Helicopter gunships raided government positions Friday on the outskirts of Grozny, the capital of the breakaway Russian region of Chechnya, and opposition fighters said they had blocked all major access to the capital.

The Chechen government's military headquarters said three people had been killed and eight wounded in the raid on what they described as civilian targets. In addition, Grozny's airport was seriously damaged, said the report carried by the Interfax news agency.

Chechen officials also said the helicopters that took part in the attack had Russian markings. A Russian Defense Ministry spokesman told Interfax he could not confirm "the fact of Russian military participation" in the violence.

For the Record

A French commercial court on Friday delayed a ruling that could spell bankruptcy for Bernard Tapie, the embattled business tycoon and politician. The five judges are to rule on the financial health of what remains of Mr. Tapie's industrial empire. (Reuters)

Two people were killed and more than 200 injured in a fire at a rock concert in the Polish port city of Gdansk, the police said Friday. (Reuters)

A Congolese airliner carrying 70 passengers made an emergency landing in Brazzaville, the nation's capital, after it was unable to lower its wheels, state television said. All passengers and crew escaped unharmed in Thursday's incident. (Reuters)

TRAVEL UPDATE

Bundesrat Backs Longer Shop Hours

BONN (Reuters) — The upper house of Parliament approved draft law Friday that would allow small shops to stay open after 6.30 P.M. on weekdays, provided they are staffed only by members of the owner's family.

The bill, which passed the Bundesrat and now will be submitted to the lower house, or Bundestag, would provide a modest liberalization of the law under which shops must close at 6.30 P.M. on all weekdays except Thursday and at midnight on three Saturdays out of four. Sunday shopping is prohibited.

It was introduced by the city-state of Berlin, which said its aim was to accommodate East Germans who commute long distances.

Prospects for the survival of Berlin's Tempelhof airport dimmed Friday after Lufthansa said it planned to discontinue flights there next year. (Reuters)

Ireland has published new rules on drunken driving that cut the legally acceptable amount of alcohol in a driver's blood to 80 milligrams from 100 milligrams. (Reuters)

Don't Hang Guerrilla, Rabin Says

Reuters

JERUSALEM — Prime Minister Yitzhak Rabin said Friday that he opposed the death sentence imposed by an Israeli military court on a Palestinian guerrilla involved in a bus bombing that killed six people.

"In principle, I believe it would be a blunder to carry out a death sentence," Mr. Rabin told Israel Radio in his first comment on the sentencing Thursday of Said Badarnah, 24, for the bombing in Hadera, northern Israel, in April.

"To this day, Israel has not put a single Palestinian terrorist to death, and I think this is correct," he said. Legal experts predicted the sentence would be overturned on appeal.

If the sentence were upheld, Mr. Badarnah, of the Islamic Hamas movement, would be only the second person executed by Israel. Israel hanged Adolf Eichmann, an overseer of the Nazi Holocaust, in 1962.

The court, made up of three lieutenant colonels sitting in the West Bank town of Jenin, found that Mr. Badarnah, a West Bank villager, sent a suicide bomber to blow up the bus in Hadera. Six people, including the bomber, died and 30 were wounded.

Leaders of Hamas, who reject Israel's right to exist and oppose the Palestine Liberation Organization's peace deal with the Jewish state, said the death sentence would only encourage attacks.

"Israel will pay a high price for that," said Imad Falouji, a top Hamas leader in the Gaza Strip. "They will encourage our Islamic fighters to make more suicide attacks."

Israel has shunned executions, not wanting to turn Palestinian guerrillas into martyrs.

Legal experts said that either an appeals court or the ranking West Bank army commander could reduce the sentence to life in prison. All previous death sentences handed down by a military court have been reversed.

Plane's Landing Gear Fails

Reuters

PHNOM PENH — The landing gear of a Vietnam Airlines passenger plane with 39 people on board collapsed after it landed here Friday, but no one was hurt.



A Palestinian boy joining his father at Friday prayers at the Palestine mosque, a Hamas stronghold, in Gaza.

10 Die as Arafat Allies Battle Foes in Lebanon

The Associated Press

SIDON, Lebanon — Yasser Arafat's loyalists dislodged dissidents from most of Lebanon's largest refugee district in street battles on Friday that left 10 people dead and 14 wounded.

At least three-quarters of the shantytown of Ain el Helweh on the outskirts of Sidon, a port in south Lebanon, was overrun by Mr. Arafat's forces during seven hours of combat, the police said.

They described the hostilities as the worst in Lebanon's refugee districts since Mr. Arafat's Palestine Liberation Organization concluded a self-rule accord with Israel on Sept. 13, 1993.

The refugee districts were long Mr. Arafat's main Middle East power base until his forces were routed by Israel when it invaded Lebanon in 1982. His guerrillas slipped back in the mid-1980s, but they never mustered their pre-invasion strength.

The hostilities pitted Mr. Arafat's mainstream Fatah faction headed by his military intelligence chief, Lieutenant Colonel Kemal Medhat, and dissidents led by a former Fatah militia commander, Lieutenant Colonel Munir Makdah.

Fundamentalists of Islamic Jihad and Hamas, Mr. Arafat's main foes, supported

the forces of Colonel Makdah, who broke away from El Fatah to protest the peace accord.

The police and Lebanese military sources said Mr. Arafat's 500 loyalists had captured 40 Makdah supporters and trapped more than 100 others in the northern tip of the refugee district.

The police said 10 combatants were killed and 12 were wounded.

The Lebanese Army, which controls Sidon, made no move to enter the area. Instead, troops blocked the district's six entrances, allowing only casualties to be taken out and only journalists to go in.

Horst Schulmann, Bundesbank Member, Dies at 61

New York Times Service

BONN — Horst Schulmann, 61, a monetary expert and a member of the powerful policy-making central bank council of the German Bundesbank, died Thursday in a Frankfurt hospital.

He had been undergoing treatment for lung cancer for the last year.

Mr. Schulmann was deputy managing director and later managing director of the Institute of International Finance in Washington, from 1984 until 1992, when he returned to Germany to become president of

the regional central bank in Frankfurt, in the state of Hesse. As one of the nine regional central bank presidents, Mr. Schulmann was also a member of the Bundesbank's governing council, and until recently participated in the biweekly sessions that have been steadily reducing German interest rates since late 1992.

Mr. Schulmann had served in the World Bank in Washington from 1970 to 1975, and later on the staff of the Executive Commission of the European Community, now the European Union, in Brussels.

After 1977, he moved to Bonn to advise Chancellor Helmut Schmidt on economic, fi-

nancial, and social policy. He played a key role in developing the European currency system decided on by European Community leaders in December of 1978 that created the European Currency Unit, the ECU, as the forerunner of a single European currency.

Mr. Schulmann was born in Frankfurt and educated there and in Saarbrücken, where he received his doctorate in economics in 1964.

Charles Baskerville, 98, a portraitist of military men, royalty and celebrities, whose subjects included Jawaharlal Nehru, Bernard Baruch, the Duchess of Windsor, Cornelius Vanderbilt Whitney, Richard

Rodgers, Helen Hayes and the King of Nepal, died of a heart attack Sunday in New York.

Milton J. Sharp, 82, former Democratic governor of Pennsylvania and a Philadelphia industrialist who in 1976 became the first Jew to mount a campaign for the presidency from a major party, died of Alzheimer's disease Thursday in Wynnewood, Pennsylvania.

Tommy Boyce, 55, a songwriter for the rock groups The Monkees and Jay and the Americans in the 1960s, died of a self-inflicted gunshot wound Wednesday in Nashville, Tennessee, after leaving suicide notes, the police said.

Windsors Will Publish Palace Budgets

Reuters

LONDON — Britain's royal family said Friday that it would publish annual accounts to show precisely how it spends millions of pounds of taxpayers' money on running its palaces.

A spokesman for Queen Elizabeth II at Buckingham Palace

said that the royal household, increasingly under attack for its cost to the public, had nothing to hide.

He added that it would be delighted to publish full reports, starting in July.

The announcement came on the day that the government said it would recommend the

publication of the household's accounts following in line with a parliamentary committee's proposal.

The committee called two months ago for greater "public visibility" of how £20 million (\$30 million) in tax money, a fraction of the total expenditure on the royal family, is spent.

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★POLITICAL NOTES★

Tip-of-the-Iceberg Congressional Perk

WASHINGTON — One of the hottest issues on Capitol Hill these days is ice. Specifically, the ice delivered to House members at taxpayers' expense in plastic buckets by 9 o'clock each morning.

Republicans taking control of Congress promise an end to business as usual, and the ice buckets have become a potent symbol of congressional perks and practices that continue with no apparent justification.

Representative Jim Nussle of Iowa, the head of the House Republicans' transition team, says he has been trying without success to find out why the ice is routinely delivered to the offices of lawmakers and congressional committees. Even as he spoke, the ice sat in congressional corridors Thursday, melting unnoticed outside offices locked shut for the Thanksgiving holiday.

William F. Raines Jr., a spokesman for the architect of the Capitol, who supervises the ice, said: "The delivery of ice is nothing new. It's been going on for many years. It was originally intended for official functions. It could well be that this has gotten out of hand."

A captain who supervises congressional relations for the navy said the ice "just shows up unsolicited" at his suite in the Rayburn House Office Building. "It's very, very punctual ice," he said. (NYT)

Hillary Clinton's Firm Quits Washington

WASHINGTON — Life in the capital has not been kind to the Rose Law Firm, which once seemed poised to make such a big splash here. This month, the firm where Hillary Rodham Clinton once practiced is folding its Washington office and sending its lone attorney home to Little Rock, Arkansas.

The closing of Rose's year-old office here, reported in this week's National Journal, was driven mostly by economics, said a Rose managing partner, Ronald Clark. "Most of our services continued to be for our Arkansas and regional clients, and we could serve them better from down here" in Arkansas, he said.

On top of that, Mr. Clark said, the firm's Washington representative, Allen Bird, "just wanted to come home." (WP)

State Health Reforms Face Amputation

WASHINGTON — A number of ambitious state health reforms that rely on new taxes or mandatory payments by employers face postponement or cancellation following Republican gains in state legislatures.

Although federal health reform efforts collapsed in September, Oregon, Washington, Massachusetts and Minnesota all have laws on the books aimed at achieving health coverage for all residents within several years. The first three would rely on contributions from employers to reach the goal, and Minnesota would require unspecified new state taxes. (WP)

Quote/Unquote

Senator Alan K. Simpson of Wyoming, a staunch conservative, who is being challenged for the job of Republican Senate whip on the grounds that he is not conservative enough: "We don't have time to fight among ourselves to see who's pure and who's not pure. We have work to do. The whip job is not about ideology. It's about unity and cooperation." (NYT)

Next for the Oregon Suicide Law: Hows, Whens, Whys

By Timothy Egan
New York Times Service

LAKE OSWEGO, Oregon — Early next month, Oregon will become the only place in the world where it will be legal for doctors to help patients end their lives. With that come many questions: the hows, whens and whys of state-sanctioned suicide.

Edged into law by a bare majority of Oregon voters on Nov. 8, the decriminalization of assisted suicide is a triumph for groups that have been trying for years to wrest life-and-death decisions away from the state and the medical profession.

But it has caused a moral shudder from the Pacific shore to the Vatican, where the hierarchy of the Roman Catholic Church has strongly condemned the vote as "a day of mourning for all humanity."

In the view of the Catholic Church,

Oregon's approval of a measure that would allow doctors to prescribe — but not administer — a lethal dose of drugs for terminally ill patients is a half step from euthanasia. According to the official Vatican newspaper, L'Osservatore Romano, it will transform doctors from healers to "notaries of death."

Beyond the moral questions, Oregon doctors, pharmacists and other health-care professionals are trying to figure out exactly how to apply a law that has no precedent. In the Netherlands, assisted suicide is against the law, but lawmakers passed guidelines last year that allow doctors to escape punishment for "mercy killings." They must show, among other things, that the patient suffered intolerable pain and repeatedly asked to die. In most American states, assisted suicide is a felony, as was the case in Oregon.

The new Oregon law will leave it up to individual doctors, whose professional oath requires them to do nothing that would cause a patient harm, to decide whether to comply with someone's request to die. The request must be in writing, and the patient must be judged to have less than six months to live — the legal definition for terminal illness under the act.

"It bothers me," said Dr. Martin Skinner, a general internist in suburban Portland, who said he had mixed feelings about the act, known as Measure 16. "I don't know how to deal with it. I can conceive of myself being in a position to make such a decision, but I honestly don't know what I would do."

Breaking with the national office of the American Medical Association, which opposed the assisted suicide measure, Oregon doctors decided to

remain neutral. After heated debate, the Oregon Medical Association found no consensus among its members.

Dr. Skinner, who was chairman of a medical study group on the issue, said many doctors were also troubled by the definition of "terminally ill." Often, when patients are given six months to live, they stay alive longer. Assisting them in suicide could hasten the end of a life that might have found additional meaning and time — and even a miracle cure, Dr. Skinner said.

By some accounts, the law will change very little. Oregon officials say they could find no record in Oregon of anyone who had actually been prosecuted for assisting in a suicide. What used to be under the table will now simply be legal, affecting only a small number of people, the argument goes.

"My hope and desire is that a year from now we will look at this and say it

was all just a big ho-hum," said Barbara Combs Lee, one of three people who drafted the measure. "All we did was legalize that which had been covert."

There are no estimates on how many people may decide to ask for a suicide prescription, but medical experts say the number is likely to be no more than 2 percent of the terminally ill. That figure is based on studies in the Netherlands and interviews with patients facing death.

Still, people here do not know what to expect. Oregon and Hawaii are the only states that guarantee health care for all citizens. Now Oregon has staked itself on the frontier of death as well.

"Once we were the 'bottle bill' state, known for our clean public beaches and forward-looking land-use laws," the Oregonian newspaper wrote shortly after the election. "Now, we are the suicide state."

Pentagon Plans to Use Reservists to Ease Strain on Regulars

By Eric Schmitt
New York Times Service

WASHINGTON — Aiming to reduce the strain on active-duty troops, Defense Secretary William J. Perry has approved a plan to use reservists in many peacetime roles now performed by regular forces.

Recent operations in Haiti, Rwanda, Cuba and the Gulf have exposed cracks in the combat readiness of America's 1.6-million-member military.

With the armed forces shrinking and military commitments likely to remain high, the Defense Department is scrambling to avoid a crisis.

Pentagon officials are proposing that many of the 1 million members of the National Guard and reserves of the various services spend their annual training time performing real operations, including peacekeeping missions overseas, rather than drilling at home.

Proponents of the plan say the reservists would receive valuable experience while relieving overworked regulars.

In January, for instance, the army will send a battalion of 430 reservists and 110 active-duty soldiers for a six-month rotation in a multinational operation in Sinai. It will be the first time since the army began sending troops to Sinai in the early 1980s that it will send reservists.

Major General Donald W. Shepperd, head of the Air National Guard, said the guard was examining how to train its ground-based air controllers to serve aboard AWACS radar planes to make up for severe crew shortages. He said in a telephone interview that the guard could also increase its

missions in Europe and in Bosnia.

In perhaps the most ambitious plan, reserve combat brigades could be rotated a month at a time through overseas assignments, like Kuwait, replacing some of the active-duty troops now serving there.

"The question is can we make smarter use of the \$10 billion we're going to spend on reserve training every year anyway," said Deborah R. Lee, assistant

secretary of defense for reserve affairs. "We want to get more bang for our buck."

Many details still need to be worked out, but the outlines have the blessing of Mr. Perry, the Joint Chiefs of Staff and several influential lawmakers.

Pentagon officials say that there might be additional transportation costs to send reservists overseas but that the benefit to regular forces would greatly outweigh any added expense.

But some critics say the plan's ambition may be its undoing.

"It's a reasonable idea until you start looking at the practical implementation of it," said Martin Binkin, a military personnel expert at the Brookings Institution, a policy research organization in Washington. "As you increase the amount of time the reservists have to spend away from home, it's going to hurt retention."

Brazil Suspends Oil Exports As Strike Cripples Production

The Associated Press

RIO DE JANEIRO — Brazil has suspended exports of gasoline and other petroleum products in reaction to a nationwide oil strike that has crippled production and refining.

The nationwide walkout, which began Tuesday night, has reduced production to a quarter of the usual output and shut four refineries, according to the press office of the state oil monopoly Petrobras.

Newspapers reported that the company is scrambling to make up for production losses with imports. Carlos Ney, manager of Petrobras's import division, refused to comment.

Petroleum output has dropped to 180,000 barrels a day, down from a daily average of 751,000, a company spokeswoman said. Refining figures were not available, but she said the strike had paralyzed four refineries.

Brazil's 10 oil refineries process about 1.2 million barrels of petroleum a day. Domestic crude accounts for about 725,000 barrels a day and the rest is imported, mostly from the Middle East.

Brazil exports 150,000 barrels of gasoline, ship fuel and other petroleum products daily to the United States, Africa and other Latin nations.

Away From Politics

• Uranium leaking from an old experimental reactor at the Oak Ridge National Laboratory in Tennessee has lodged in a pipe outside the reactor building, raising fears of an accidental nuclear chain reaction. Energy Department officials said they had not decided what to do with the 4.4 pounds (2 kilograms) of bomb-grade uranium, which may still be accumulating.

• A California appeals court has upheld the use of DNA evidence, the same type at issue in O. J. Simpson's murder trial. The ruling does not directly affect the Simpson trial, but could be considered by Superior Court Judge Lance A. Ito when he decides on the admissibility of DNA evidence for that trial.

• A North Carolina neurosurgeon's license was suspended after an investigation revealed that he left a patient's brain exposed for 25 minutes while he had lunch.

• A 90-year-old man bitten to the bone during an attack by an HIV-positive woman has tested positive for the AIDS virus. Authorities in Florida say he may be the first person to contract the disease through a bite.

• From 1,100 to 1,200 Bell Atlantic Corp. workers in Pennsylvania were suspended without pay for Thanksgiving Day for wearing T-shirts that depicted them as "road kill" on the information superhighway. The workers are angered by the company's decision to reduce its work force and to rely on lower-paid workers to install much of the technology for the company's future "full-service network" that would deliver video and phone services. (NYT, AP, WP)



HOLIDAY IN HAITI — Defense Secretary William J. Perry and his wife enjoying a Thanksgiving Day parade in their honor by U.S. troops on duty in Port-au-Prince.

U.S. Casts South of the Border for Hot Cars

New York Times Service

WASHINGTON — In an effort to reduce auto thefts, the Clinton administration is planning a major effort to persuade Central American governments to seize stolen cars smuggled from the United States and return them, a State Department official said.

An estimated 20 percent of the 200,000 stolen vehicles smuggled out of the United States each year end up in Central America.

Depending on how their proposal is received, they say they hope to extend their efforts to the Dominican Republic and

other Caribbean countries before the end of 1995.

"It's been too easy to drive over the borders with these cars," said Anne Patterson, deputy assistant secretary of state for inter-American affairs.

She said that preliminary diplomatic overtures to El Salvador and Belize on a retrieval program had been welcomed and that contacts with Latin American police departments had generally improved, particularly in El Salvador.

The administration has drafted

a treaty that it will present to Guatemala, Belize, Honduras, El Salvador, Nicaragua, Costa Rica and Panama in January and February. It would require each country to notify U.S. Embassy officials within 60 days after its police or customs officials seize a vehicle they believe to have been smuggled from the United States.

In turn, if Washington has reason to believe a smuggled car has been seized or impounded, the government involved would be required to respond to the request and turn over the car.

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AMERICAN TOPICS

Doctors With Manners Are Sued Less Often

Doctors who want to avoid malpractice lawsuits should brush up on their bedside manner, new studies suggest. Physicians are more likely to be sued if their patients feel the doctors are rude, rushing the visits or not answering their questions, according to a study published in the current *Journal of the American Medical Association*. The study was conducted by doctors from Vanderbilt University in Nashville, Tennessee. "A doctor can't get away with being a technical whiz and an interpersonal jerk," said Dr. Sidney Wolfe, a consumer advocate with the Public Citizen Health Research Group. He did not participate in the study.

Dr. Wolfe stressed that pleasant behavior was no substitute for technical proficiency. "People deserve and should get both."

Patients were asked how long they had to wait before seeing the doctor, how much

time they spent with the doctor, whether the doctor treated them with respect and whether the doctor listened to their concerns and questions.

The doctors who had been sued the most rated the worst on almost all the questions. But physicians who had never been sued were most likely to be seen by their patients as concerned, accessible and willing to communicate.

Short Takes

Terri Tucker of Jackson, Mississippi, was hoping for a brother for her two daughters when she was pregnant with twins three years ago. The twins turned out to be girls. Last week, Ms. Tucker, 33, had triplets—all girls. She and her husband, Carlos Smith, now have seven daughters. The eldest is 10. Dr. Jim Martin, professor of obstetrics at the University of Mississippi School of Medicine, said for one woman to have twins and then triplets is especially unusual since Ms. Tucker was not taking fertility drugs and has no relatives who had multiple births.

She and her husband have no plans to try again for a son. "I'd just be too afraid to

risk it," she said. "I may end up with four next time."

New York City has 905 playgrounds and 479 parks, nearly all of them in bad shape. The Parks Department has suffered one budget cut after another. The operating budget of \$131.3 million a year is down 21 percent from 1990. Ideas for reviving the parks include special neighborhood taxes or a special citywide park tax, putting welfare recipients to work cleaning up the parks or getting individual parks adopted by neighborhood volunteers. Further budget cuts, Parks Commissioner Henry J. Stern told *The New York Times*, would amount to "giving liposuction to a skeleton."

In a letter to *Miss Manners*, the syndicated etiquette columnist by Judith Martin, a reader writes, "I am a widow, and my friend has asked me to be her honor attendant at her wedding. Would I be called the matron, or maid of honor?" The reply: "Gentle Reader: Miss Manners does not want to be the one to break the news to you that maidenhood is not renewable. So she will confine herself to saying that a widow would have to be a matron of honor."

International Herald Tribune.

2 Liberals Seek Senate Democratic Leadership

By Adam Clymer
New York Times Service

WASHINGTON — When Senate Democrats pick a new leader next week, they will be guessing at which of two relatively young, fairly liberal supporters of President Bill Clinton can best make the party's case in an era that seems devoted to youth, not to liberalism and not to the president.

Neither of the two, Thomas A. Daschle, a second-term member from South Dakota, and Christopher J. Dodd, a third-term member from Connecticut, has staked out any clear philosophical differences from the other.

The liberal Americans for Democratic Action gave each of them a 75 percent rating in 1993. This year, the American Conservative Union says, Mr. Daschle voted right 4 percent of the time and Mr. Dodd never.

Mr. Dodd, who did not enter the race for minority leader until after the election, is campaigning publicly. He has been ready with a riposte to Senator Jesse Helms or any other Republican with his head out of a foxhole, trying to demonstrate how he would handle combat with the new Senate majority.

Mr. Dodd cites his six years of service in the minority the last time the Republicans controlled the Senate, from 1981 to 1987, as evidence that he could "fight effectively where that is called for and cooperate effectively where that is called for."

Mr. Daschle has campaigned for the leadership post by the more traditional route, courting Senate Democrats privately. Although only four years younger than his 50-year-old rival, he speaks of his youth, along with his Western roots, as reason to choose him.

And, making a virtue of relative obscurity, he said in an interview that it

He said he thought he had a good chance of winning. "I understand the difference between a compliment and a commitment," he said.

Discussing Mr. Daschle's difficulty in nailing down support, some Senate aides said the post for which he had earlier won promises of backing was that of majority leader.

When the Republicans gained Senate control, these aides said, he encountered a problem in translating those earlier promises into backing for the minority leadership, which frequently demands greater skills at combat with the opposing party.

Mr. Daschle's support tends to come from junior senators, Mr. Dodd's from the veterans.

But supporters on both sides acknowledge that they lack measures to gauge which of the two would do a better job of protecting Democratic interests in an uncertain political era.

Each of the leadership candidates is an earnest backer of the particular economic interests of his state. Mr. Daschle supports grain farming, Mr. Dodd submarine construction and the insurance industry.

Where insurance was a leading topic in this year's debate on health care, farm subsidies may come to the fore in the coming session as Republicans try to cut spending.

It is an issue on which the Republican

leader, Senator Bob Dole of Kansas, might feel less besieged if a Democrat from a farm state, like his, headed the minority.

Both senators were critical of filibusters, saying that under their leadership Democrats would use them less than Republicans did in 1994.

Mr. Daschle called the filibuster "one of the most abused parliamentary tools of the Senate," although he said he was not in favor of abolishing it entirely.

And while Mr. Dodd warned against undermining "the unique pillars of the Senate" and said the protection of the minority was essential, he also said that if filibusters kept up at the current rate, the Senate would "continue to have a totally irresponsible behavior, and there will be a growing sentiment to change fundamentally the institution of the Senate."

Mr. Daschle said he should be chosen because he would be able to unify the often divided Democratic caucus and help the Democrats build in the Midwest and the West. He has a reputation as an able associate of the departing Democratic leader, George J. Mitchell of Maine, who is retiring from the Senate, and as a deeply committed advocate of health-care legislation.

Mr. Dodd spoke more in terms of dealing with the Republicans. He cited his ability to pick up their votes on issues like child care and family and medical leave.

It is an issue on which the Republican

Whoever wins, Daschle or Dodd, will lead minority into an uncertain political era.

would help Democrats if they recognized "the need to project a new image."

He said that as someone "not as nationally recognized, I would be a very positive new face."

Mr. Daschle claims commitments of support from 24 colleagues. Added to his own vote, that would be one more than enough when the 47 Senate Democrats hold secret balloting next Friday.

Mr. Dodd said he had expected Mr. Daschle to be able to lock up the leadership quickly after the election defeat of his only rival at the time, Senator Jim Sasser of Tennessee, whom Mr. Dodd was supporting. When that did not happen, Mr. Dodd said, he followed the urging of several senators, whom he would not identify, and entered the race.

LITMUS: A Few Questions Await Washington's Republican Job Seekers

Continued from Page 1

eliminate the questionnaire. But a spokesman for the study committee said he was not aware of any such action by Mr. Gingrich. The questionnaire — which is attached to the applicant's résumé and passed on to lawmakers who make personnel requests — is still being used, the spokesman said. At least 27 freshmen House Republicans have been using the study committee's services to fill staff positions.

"It would be nuts for a congressman who believes we have to build a strategic missile defense to not be able to find out that a prospective employee favors unilateral disarmament," said Morton C. Black-

well, president of the Leadership Institute, which has received about 1,700 résumés and phone inquiries for public-policy jobs since the election. He said that although his group was conservative, it was not partisan.

Officials with the Democratic National Committee and the House Democratic Study Group say they do not use questionnaires, just basic applications, when helping individuals find jobs in Congress, in the White House or on political campaigns.

The Republican Study Committee, the Leadership Institute and the Heritage Foundation each are logging 100 to 200

résumés a day, in the wake of Republican election gains. Most of them are from young applicants, though there are some experienced persons seeking new or more senior jobs.

In addition, the House Republican transition team has established a personnel group to develop an applicant pool for committee, administrative and leadership posts and a job bank is being set up by the Republican National Committee.

"The majority of the people coming here feel that there is a conservative revolution going on, like in the Reagan years, and they want to be part of it," said Ed Buckingham, executive director of the Republican Study Committee.

SWEDES: Some Key Elements of Bomb Project Have Been Preserved

Continued from Page 1

program, and because of the extent and ambiguity of its past and present nuclear weapons research, Sweden is opening a window on the depths of the virtual weaponization problem.

At the same time, the post-Cold War declassification of Swedish government documents and the growing willingness of Swedish defense scientists to talk openly about their nuclear weapons work are steadily lifting the lid on a bomb project, whose full extent and rationale remain little publicized and poorly understood.

Although Sweden has recently taken several steps to open its nuclear past, the government has yet to embrace a policy of total transparency. Some documents about the nuclear weapons program remain classified; the program never has been formally scrutinized by international inspectors, and the preserved condition of the Agesta reactor has not been disclosed publicly until now.

Swedish defense scientists said the country was holding onto some remnants of its nuclear weapons program today for the same reason it was begun in the first place: The work is seen as necessary to preserve Swedish independence and neutrality.

Mr. Larsson, program manager of the Defense Ministry's nuclear weapons-related research, said that if Sweden knew nothing about nuclear weapons physics, then if any nuclear terrorist case occurred they would "be obligated to go to Brussels or London or Washington, D.C., or Paris to ask for their guidance."

He added: "This is not something we would want to do as a neutral state. As long as we profess to stand on our own feet, I think we can afford to have a handful of people to work on and understand these problems."

Yet, the issue remains uncomfortable for a generation of Swedish politicians

who championed nuclear disarmament in the postwar period while secretly conducting nuclear weapons research and collaborating closely with NATO on contingency plans for a European war. Swedish defense scientists also engaged in secret exchanges with American nuclear weapons scientists.

The Swedish government has never explicitly acknowledged that it sought to acquire nuclear bomb capability. In 1985, a Swedish technical journal revealed some details of the weapons program and suggested the project was designed as late as the 1970s to keep open an offensive nuclear weapons option — that is, the capability to make and deploy tactical or strategic weapons.

A government commission later attacked some of the technical journal's findings, although it acknowledged that the weapons program had existed. The government asserted that its nuclear weapons research had been solely defensive, meaning it studied the threat of nuclear explosions to conventional forces and civilians. But recently declassified documents and statements by scientists involved make clear that Sweden — a country of 8 million people with a long tradition of neutrality and vigorous defense spending — did seek to develop an offensive nuclear weapons option until at least the 1960s and that the buried Agesta reactor south of Stockholm was a key element of that program.

Olof Palme, the longtime prime minister who often irritated Western governments with his campaign against nuclear weapons, was the secretary of a secret 1958 committee that decided that research on a Swedish nuclear weapons option should continue, setting the stage for the program's most vigorous phase in the 1960s, according to a history of the program recently prepared by Jan Prawitz, a visiting scholar at the Swedish Institute of International Affairs and a longtime participant in the weapons research.

In 1985, when the technical journal's revelations were published, Mr. Palme said in an interview that he was ordering a thorough government investigation because "maybe, sometime" the Swedish military "has done research that went out of bounds."

In the interview, the closest Mr. Palme came to admitting his own role was an acknowledgment that although he once considered nuclear weapons a viable option, "I became more moral as the years went on."

The underground Agesta reactor has been shut since 1974. It has been preserved with regular maintenance visits since then, and some mechanical sections of the reactor have been used for decontamination experiments since the formal deactivation. Swedish nuclear regulators said.

"I don't think 'mothballed' is the right word," said Lars Hogberg, director general of the Swedish Nuclear Power Inspectorate. "It was just left for future full decommissioning. The main reason for that is that we realized we had to develop sophisticated decommissioning and waste handling."

Yet, this explanation is not fully consistent with the history of Sweden's nuclear decommissioning program. Another, much smaller underground research reactor of similar design to Agesta was fully dismantled after deactivation in the mid-1980s.

The pressurized, heavy-water-moderated, natural uranium-fueled reactor at Agesta is of a design comparable to that which produced the plutonium for the U.S. nuclear bomb dropped on Nagasaki in 1945. Constructed as a prototype, at peak operations it could produce enough plutonium-239, a key bomb ingredient, for one or two nuclear weapons a year, according to Mr. Prawitz.



AN EXILE IN PARIS — Taslima Nasrin, the Bangladeshi author under death threat at home, holding the French edition of one of her books Friday during a talk with readers.

OECD: U.S. Gives Up Effort to Oust Think Tank's Chief

Continued from Page 1

behalf, even after his tenure ended.

On Oct. 28, a U.S. official decisively rejected a proposal by France and Canada to allow Mr. Paye to stay on for two more years and then be succeeded by Mr. Johnston.

"Two years more of Jean-Claude Paye is much too long to wait for new leadership," the official said. "We are on the record publicly opposing any extension of Mr. Paye's term."

On Friday, a State Department official in Washington expressed displeasure that France and Canada had engineered "a

fait accompli" but added that "if other countries are prepared to go along with this we will not block it."

France, the U.S. official said, had threatened to veto Mr. Johnston unless Mr. Paye — who has already run the OECD for 10 years — was given an extension of his term.

Mr. Chrétien urged the latest deal on Mr. Clinton at a meeting last week during the Asia-Pacific Economic Cooperation summit meeting in Jakarta. Mr. Clinton replied to the Canadian leader that the United States "would not be the obstacle if this is what the membership wants," the official said.

The U.S. official added that "we have been caught between a rock and a hard place since our desire is to get new leadership at the OECD as soon as possible, but the other consideration was the importance of U.S.-Canadian relations."

Another U.S. official contended that it would be wrong to consider the deal a defeat for Washington.

A European diplomat at the OECD said that if the deal was approved on Monday by straw poll it would be ratified at a formal OECD council meeting Tuesday.

EUROPE: Opponents Appear to Have Edge as Norway Nears Vote on EU

Continued from Page 1

vote, and the pro-EU faction about 41 percent. About one in nine voters are still undecided.

As in Finland and Sweden, the heart of the opposition comes from voters in rural village and small coastal communities, who fear that Brussels will make Norway roll back subsidies to farmers and open its rich fishing grounds to the rest of Europe. Among Norway's 4.3 million people, more than half are scattered in smaller communities outside the larger cities.

But the gap between the two sides in the election has been closing. With many previously undecided voters switching to "yes" after the Swedes narrowly voted Nov. 13 to join Europe, Prime Minister Gro Harlem Brundtland, a determined advocate of European union, predicted this week that Norway would follow suit.

Advocates of European Union are stepping up their campaign, warning Norwegians that they will suffer if they decide to stay outside the union, which will open

borders between member states and abolish barriers to the movement of goods and people.

"When the Japanese and the Americans make a decision about where to put a new European industrial facility, they are not going to put it in Norway if Norway stays out of the union," said Turid Birkeland, a member of Mrs. Brundtland's Labor Party, in an address to retirees in Bergen. "The greatest changes will not come from joining Europe, but by staying out."

If Norway decides not to join the European Union, advocates like Miss Birkeland point out, Norway will take its place alongside Switzerland, Lichtenstein and Iceland, as the only West European nations remaining outside the community.

That possibility has inspired a popular joke making the rounds here these days: How many European nations are there likely to be at the turn of the century? The answer: Eight. The European Union, Norway and the six republics of Yugoslavia.

Diplomats in Oslo say Norway's reluctance

to join hands with Europe underscores a doggedly independent streak among Norwegians, who have turned down the community before, they rejected membership in a national referendum in 1972.

While Norway was celebrated earlier this year as the gracious host of the Winter Olympics and for helping to negotiate peace between Israel and the Palestine Liberation Organization, it has also been the target of bitter criticism for its refusal to abandon international whaling.

"When people say we are turning our back on Europe, what do they mean?" demanded Vegard Velle, 23, a student who is against the European Union. "I think the 49 percent of the French who last year voted against the EU treaty would be inspired by us."

But Louis Nagel, 76, a retiree in Bergen, said he had no doubt that he would vote yes. "When I was young, we had soldiers on all the borders of Europe," he said. "Now we have a chance to open them up forever."

NUCLEAR: Republicans Want to Block Korean Pact

Continued from Page 1

Peninsula," said Foreign Minister Han Sung Joo of South Korea. "Even though a group of Republican congressmen urges a review of the accord, it must not be renegotiated or scrapped."

Many prominent Republicans, including Bob Dole of Kansas, who is set to become Senate majority leader, and Jesse Helms of North Carolina, who is in line to head the Senate Foreign Relations Committee, have joined Mr. Murkowski in lambasting the accord. Many Republicans are convinced that the administration rushed to reach the agreement in October so it could claim a foreign policy victory in time for the November elections.

"Among Republicans, there

is enormous dissatisfaction with the policy," said Hank Brown, a Colorado Republican on the Senate Foreign Relations Committee.

"I think you'll see Congress reluctant to go along with the aid package."

Senator Charles S. Robb, Democrat of Virginia, who currently heads the Asia subcommittee, will hold a hearing Monday at which administration officials are expected to defend the agreement.

Clinton aides acknowledge that because Congress was not in session for most of October they have not done enough to brief the Republicans on the accord. Still, they argue that the agreement was the best that could be reached at the time, and that failure to reach an agreement raised the possibility

of a war on the Korean Peninsula.

"The North Koreans so far have been very faithful in implementing this," a State Department official said. "It behooves us to fulfill our end of the bargaining, too."

Administration officials contend that the Republicans are wrong in saying all that North Korea made was empty promises. They say Pyongyang has made good on its promise not to reprocess spent fuel rods.

Heavy Flood Damage in Iran

NICOSIA — Floods caused by several days of heavy rain have damaged 10,000 buildings in 19 cities and more than 700 villages in western Iran.

NATO Chief Criticizes Indecision

Compiled by Our Staff From Dispatches

BRUSSELS — The NATO secretary-general, Willy Claes, criticized the allies on Friday for being slow to back an American plan aimed at ending the siege of the Bosnian enclave of Bihać.

"They should have perhaps been able to push further," Mr. Claes said after an emergency meeting of the 16 NATO ambassadors ended Thursday in indecision over such questions as who should provide ground forces to monitor and enforce an American "stabilization plan."

The prime minister of the Muslim-led Bosnian government, Haris Silajdzic, also complained about the lack of decisive action by the North Atlantic Treaty Organization. "NATO has more than enough clearances to act immediately," he said. "Only political will is in question. We are asking ourselves if maybe the safe area in Bihać is being sacrificed because of disunity."

The United States had proposed expanding the 80-square-kilometer (32-square-mile) safe area around Bihać and setting a deadline for rebel forces to leave.

Mr. Claes acknowledged that elements of the U.S. plan needed clarification.

NATO, meanwhile, was continuing to work on contingency plans for the evacuation of United Nations peacekeepers from Bosnia-Herzegovina if the situation there worsens.

Sources said military planners estimated that three to six divisions, or 20,000 to 40,000 troops, would be needed.

"Such a substantial force clearly would require that countries that do not contribute ground troops to the Bosnian conflict join an evacuation force, said a NATO source, who asked not to be named.

The United States, which has no troops in Bosnia, would be expected to provide a large share of this force.

(AP, Reuters)

Prince Rainier Has Operation

Reuters

PARIS — Prince Rainier of Monaco underwent heart bypass surgery on Friday, the palace announced.

There was no immediate statement on his condition after the operation, and none was expected until Saturday, a palace spokeswoman said.

The surgery was performed on Prince Rainier, 71, at Monaco's Center for Heart and Thoracic Medicine. The decision to operate was made a few days ago by Dr. Jean-Joseph Pastor.

A bypass operation is usually carried out when the small blood vessels serving the heart muscle become blocked due to age and disease and are surgically replaced with healthy vessels grafted from another part of the body, like the leg.

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An Assault on the Poor

The welfare reform proposal drafted by House Republicans would violate good sense by turning America's welfare programs over to the states. It would violate common decency by victimizing millions of children, including legal immigrants. It would even violate the reasonable notion that government should help needy Americans willing to work.

What the House Republicans have in mind is not reform but a grotesque assault on the poor for the sake of honoring their ideological war on government. Its punitive measures go way beyond what conservative Democrats and Republicans, let alone President Bill Clinton, have recently proposed.

The draft's overriding theme is that welfare spending should be largely controlled by states. This is exactly wrong. States may be the right places to locate many programs that Washington now runs, but welfare is not one of them. States have a huge financial incentive to skimp on benefits — to drive poor residents out and persuade the poor from other states never to enter. Note that states eviscerated welfare benefits during the 1970s and 1980s while Washington kept federal benefits whole.

The draft would tear holes in the social safety net that has been built in stages, with strong bipartisan support, since the Depression. Food stamps and cash benefits are federal entitlements for every eligible family. House Republicans would rip up this sacred contract, putting an annual limit on federal expenditures. The change would be profound: come a recession, when the number of families qualifying for food stamps and welfare rises, Washington would not spend an extra dime.

Private charities might pick up the slack. States might spend their own money — although few will rush to raise taxes during recessions. More probably, the needy will go empty-handed. A long-term female worker who loses her job during a recession will be put on a waiting list for welfare — although she paid taxes for years. Federal welfare was started during

the Depression to save children no matter where they lived. The need remains.

The Republicans plan to cut federal spending on welfare, food, housing and nutrition by about \$60 billion over four years. The biggest reduction is aimed at legal immigrants, who would become ineligible. Even Proposition 187, passed in California this month, did not go after legal immigrants, who work and pay taxes like everyone else.

There has been a huge increase in the number of elderly immigrants on welfare. But that problem could be solved humanely, as Mr. Clinton proposes, by extending the period during which an immigrant's sponsor would be financially responsible.

The Republicans say their aim is to allow people to climb out of poverty by no longer providing a perpetual meal ticket. But they have no compunction about sawing off the ladder. They omit requirements that states provide education and training. They allow states to cut off welfare after two years — and require a cutoff after five years — to mothers who are working at public jobs but cannot find private sector jobs. Mr. Clinton would continue subsidized work as long as necessary.

The draft proposal would also cut off children born out of wedlock and children whose paternity had not been legally established — even if the mother had supplied the name. Newt Gingrich, the next speaker, glibly assumes that people thus excluded will find refuge in private charities or public orphanages.

But if Mr. Gingrich is wrong, consider the outcomes: a 30-year-old mother gets laid off but is permanently ineligible for welfare because she exhausted her two-year limit as a teenager; a young mother and child go hungry because the state bureaucracy dawdles in establishing paternity. The Center on Budget and Policy Priorities, a think tank that studies poverty programs, estimates that the proposal would knock 5 million children — about half the current caseload — off welfare. That is not reform. That is carnage.

— THE NEW YORK TIMES

Voting the Death Penalty

Every year for the last 18 years, the New York State legislature has passed a death penalty bill, and every year it has been vetoed by a Democratic governor. But the situation changed dramatically on election day this month. Republican Governor-elect George Pataki believes in capital punishment, campaigned for its restoration and has pledged to sign a bill as soon as the legislature can get it to his desk. In Iowa and Wisconsin, where death penalty supporters were re-elected as governors, a shift in the legislatures may give them the votes they need to change state law. Capital punishment is now authorized in 37 U.S. states. Within a few months that number could go to 40.

Death penalty proponents are feeling strength in Congress. It is hard to imagine why that is needed in Washington, for the crime bill passed this year already creates dozens of new federal death penalties. Nevertheless, the new Republican majority in the House has already served notice that procedural changes will be introduced to make it easier to execute those convicted. The habeas corpus proceeding, for example, by which state prisoners seek review in federal court, could be tightened so that a petitioner would have less time to file an appeal and the state court's procedures could

be accorded a presumption of fairness.

Even some of the election winners realize that capital punishment is not the solution to the very real problem of violent crime. Mr. Pataki conceded as much and promised to "have a more comprehensive approach to the criminal justice system" for the legislature's consideration. But it is more than a symbol to more than 2,800 people on death row in the country, some of whom were convicted in perfunctory trials with inadequate legal representation and some of whom may actually be innocent. Several prisoners sentenced to death have been released in recent years after being exonerated by DNA evidence unavailable when they were tried.

Death penalty proponents are feeling their strength today, but their victory is not inevitable. Lawmakers in New York, who could vote to put criminals to death with the knowledge that the governor would never let it happen, now know that their vote is not a theoretical exercise. Members of Congress may be convinced that having made the penalty broadly available, they need not expedite its use. And voters can still be persuaded, as they were in the District of Columbia, that what sounds like a great idea in the abstract is terrible in its application.

— THE WASHINGTON POST

Fatter Teenagers, Too

Americans continue to grow fatter and fatter at rates that are truly alarming. Last July, the National Center for Health Statistics reported that 33 percent of American adults were estimated to be overweight. That was a sharp rise from the already high levels of 24 to 25 percent of all adults recorded as overweight in surveys between 1960 and 1980. "Overweight" means about 20 percent or more above a person's desirable weight on standard weight tables.

Now comes evidence that American youngsters are rapidly fattening up, too. The Center for Health Statistics reported last week that 21 percent of youngsters 12 to 19 years old — one in every five teenagers — were overweight, by the same definition as used for adults. That was also a sharp jump — from 15 percent of all teenagers in a survey in the late 1970s.

These increases are so large that one is inclined to hope they are methodological errors. Alas, the center's experts do not think so. Their best guess is that the weight is due to some combination of excess calories and reduced physical activity.

Fatty foods, too much television, a sedentary lifestyle that favors computer games over active sports, a host of labor-

saving devices all take their toll. No doubt a decline in smoking, highly desirable on health grounds, exacerbates the problem.

The danger is obvious. Obesity increases the incidence of cardiovascular disease, diabetes, hypertension, stroke and some forms of cancer, to cite just some of the illnesses it causes. The cure is equally obvious for many if not most overweight Americans. Eat less, exercise more. Everyone knows that. All too few do it.

— THE NEW YORK TIMES

Other Comment

An Urgent, Nasty Mission

[Rwandan] refugees will not return unless there is security within the country — and also in the camps beyond its borders. Most refugees are terrorized by armed thugs, whose power in the camps comes through the control of aid. The UN secretary-general this week proposed sending 3,000 to 5,000 peacekeepers to protect aid workers and escort refugees home. No force should undertake the job unless it is ready for a long, bloody operation.

— The Economist (London).

Overstate the Chaos, Undermine the Help

By Stephen S. Rosenfeld

WASHINGTON — The wretched, desperate and unmoored are at the center of a new theory of world politics.

Actually, the focus is not so much on their misery as on their potential to spoil things for others. The new buzzword is chaos, as in chaos theory. In the post-Cold War era where Soviet power and ideology no longer menace, the new threat is said to be the instability and overflow effects of chaos in the Haiti, Rwanda, Somalia and Bosnia of the world.

"Chaos" means what you get when government breaks down. For policymakers,

'Affluent states have got to be engaged and active to help manage these phenomena or they will be overwhelmed by them.'

the threshold question is whether it represents a peripheral or a central concern.

Connect the dots of 15th U.S. interventionism in far places and near. You might conclude that we Americans are a long way from meeting chaos with the total concentration with which we met Moscow's missiles in another day.

We still perceive most chaos as of limited geopolitical significance — we can live with it. We think it requires chiefly a "humanitarian" and "multilateral" response — two words by which we distance ourselves (and often rightly) from direct responsibility.

But awareness is growing. Within the U.S. government, the offices on the cutting edge are foreign aid and "global affairs" (environment, population etc.), but the departments that deal with violence and geopol-

itics are being drawn in, too. The United States Institute of Peace marks its 10th anniversary next week with a conference on "Managing Chaos: Coping with International Conflict into the 21st Century."

A head-on critique of the idea that famines, civil wars, overpopulation, "ethnic cleansing," terrorism and environmental stress will generate a tidal anarchy comes from Jeremy Rosner, a former Clinton National Security Council aide.

Writing in the New Democrat (November), he sees a misplaced tendency to credit environmental determinism, rather than malice, bad governance or lack of democracy, for social collapse. He faults the implication of some chaos theorists that the nation-state is withering away and that only world government will save us.

Chaos theory, to Mr. Rosner, looks "like an old political agenda masquerading as a new theory of international relations."

He continued: "It reduces to a rerun of the North-South crusade popular on the left two decades ago, in which demilitarization, talk of an 'era of limits' and redistribution of national wealth through multilateral institutions were frequent refrains."

Writing well before the recent American elections, he warned: "Rather than lead to patient support for our humanitarian programs, [overstatements of chaos] might instead hasten the arrival of a new and less sympathetic administration."

In fact, we may already be retreating from the not-very-high point of post-Cold War concern for failed Third World states. The American people elected a Republican Congress with a strong bent for more traditional military threats over the

new type of social ones. John Harris of The Washington Post reports a complaint heard in the Pentagon that these lesser interventions erode big-ticket "readiness."

You could maintain perfect readiness, of course, by never doing anything.

Still, the underlying conditions feeding chaos remain. No one has spelled out their implications better than Jonathan Moore, a former State Department, United Nations and Kennedy School official, in a Nelson Rockefeller Center paper called "Morality and Interdependence" (Dartmouth College, 6082 Rockefeller Hall, Hanover, New Hampshire 03755).

"It is the character of our engagement with the world and threats in the Third World determined by a narrower definition of separate interest or by a broader one of shared survival?" Mr. Moore asks.

"The idea of interdependence, although paid plenty of rhetorical attention, is not ingrained in American thinking, does not condition our political reflexes, and has not been operationalized in our policies."

"This may be because we have been more privileged and protected than other societies, and have got into the bad habit of not wanting to be bothered with complexity or the need for compromises and sacrifices in order to get along with the rest of the world ..."

"Poor countries that breed instability and insecurity know that even with dedicated and disciplined bootstrapping, they can't overcome their various deprivations entirely by themselves. They can't provide markets or protect the environment; they'll continue to make war, wreak terror, deal drugs, and spread disease. Affluent states have got to be engaged and active to help manage these phenomena or they will be overwhelmed by them — that's what interdependence is."

The Washington Post.

Free Trade That Makes Sense Is Regional, Not Global

By James Goldsmith

PARIS — Global free trade has become a sacred principle of modern economic theory, a sort of generally accepted moral dogma.

The ultimate objective of global free trade is to create a worldwide market in products, services, capital and labor — has an instrument to achieve this in GATT, the General Agreement on Tariffs and Trade.

GATT, however, is flawed, as are the theories on which it is based. If it is implemented, it will impoverish and destabilize the industrialized world while at the same time cruelly ravaging the Third World.

During the past few years, 4 billion people have suddenly entered the world economy. They include the populations of China, India, Vietnam, Bangladesh and the countries that were part of the Soviet empire. The populations of these countries are growing fast; they are predicted to pass 6.5 billion within 35 years.

The nations where those 4 billion people live have very low levels of unemployment. And pay for those who have jobs is a tiny fraction of pay levels in the developed world. So new entrants into the world economy are in direct competition with the work forces of developed countries. They have become part of the same global labor market.

This will lead to a new type of competition. Take two enterprises, one in France and one in Vietnam, making an identical product for export to the same First World market. Both use the same technology and have access to the same pool of international capital. The difference is that the Vietnamese enterprise can employ 47 people for what it costs the French enterprise to employ one. It is not difficult to understand who the winner will be.

In most developed nations, an average manufacturing company pays its work force an amount equal to 25 to 30 percent of sales. If such a company decides to maintain only its head office and sales force in its home country while transferring production to a low-cost area, it can save about 20 percent of sales volume. Thus, a company with sales of \$500 million will increase its pretax profits by up to \$100 million a year.

If, on the other hand, it decides to maintain production at home, the enterprise will be unable to compete with low-cost imports, and will perish.

When an economic policy makes you rich if you eliminate your national work force and transfer production abroad, and bankrupts you when you employ your own people, then something is wrong.

High-tech industries can survive and prosper in these circumstances, of course, for they are highly automated and employ few people; labor is a minor item in the overall cost of the products they make. They obviously cannot compensate for the lost manufacturing jobs; the fact that they employ few people means that they are incapable of employing very many. As soon as they need a reasonable number, they will be forced to move offshore.

IBM, for example, is moving its disk-drive business from the United States and Western Europe to low labor-cost countries. It plans to operate as a joint venture with an underdeveloped Asian partner and use non-IBM employees so that it will be easier to move to an even lower-cost region when warranted.

IBM estimates that moving from higher-cost regions to Asia halves the cost of assembling a disk drive. Boeing has announced plans to transfer some production to China. Companies like Hewlett-Packard and Advanced Micro De-

vices, the sort that created Silicon Valley, are also shifting employment to low-wage countries.

Proponents of global free trade insist that exporting such high-tech products as airplanes, satellites and high-speed trains will create jobs on a large scale. Alas, this is not true.

A recent \$2.1 billion contract selling high-speed French trains

The damage GATT will inflict on the communities of both the developed world and the Third World will be intolerable.

to South Korea has resulted in the maintenance, for four years, of only 800 jobs in France. Much of the work is carried out in Korea by Asian companies using Asian labor. After the transfer of technology to South Korea, in a few years Asians will be able to buy high-speed trains directly from South Korea and bypass France.

A big mistake in thinking about balanced trade is to consider it exclusively in monetary terms. If we export \$1 billion worth of goods and import products of the same value, we conclude that our overseas trade is in balance.

But the number of people employed annually to produce \$1 billion worth of high-tech products in the developed nations could easily be fewer than 1,000, while the number employed in low-cost areas to manufacture the goods that we in the developed world import would be in the tens

of thousands, because these goods are produced with traditional levels of employment.

Balancing trade in this way can end up exporting jobs and importing unemployment.

The application of the GATT accord will have tragic results in the Third World. Modern economists believe that an efficient agricultural system is one that produces the maximum amount of food for the minimum cost, using the least number of people. That is bad economics.

When you intensify agricultural methods and substantially reduce the number of people employed on the land, those who are idled are forced into the cities, where they often end up in slums. Families are broken, the countryside is deserted, and social stability is destroyed. This is how the favelas came into existence in Brazil.

An estimated 3.1 billion people live from the land. If GATT manages to impose the sort of productivity achieved by our nations like Australia, some 2 billion of these people will lose their livelihood.

Some of these GATT refugees will move to urban slums, while many others will be forced into mass migration. As a result of Chinese market-oriented economic reforms, an estimated 100 million peasants are drifting around China seeking work.

Is it not possible to repeat the successes of countries like Taiwan, Hong Kong, South Korea? Well, the United States might be able to achieve a similar success with Mexico, and Western Europe could progressively accommodate Eastern Europe. But attempting to integrate 4 billion people at once into global markets is blind utopianism.

To avoid disaster, we must first reject the concept of global free trade and replace it with regional free trade. That does not mean closing off any region from trading with the rest of the world. It means that each region is free to decide whether or not to enter into bilateral agreements with other regions.

We must not simply open our markets to any and every product, regardless of whether it benefits our economy, destroys our jobs or destabilizes our society.

Those who wish to industrialize should form free trade areas, such as the trading regions currently being created in Latin America and Southeast Asia. These areas should consist of nations with economies that are reasonably similar in terms of development and wage structures. Trading regions would enter into mutually beneficial bilateral agreements with other regions in the world. Freedom to transfer technology and capital would be maintained.

Commercial organizations wishing to sell their products in any particular region would have to produce locally, importing capital and technology and creating local employment and development. That is the way to create prosperity and stability in the developing world without harming developed nations.

GATT must be rejected. It is too profoundly flawed to be a stepping stone to a better system. The damage it will inflict on the communities of both the developed world and the Third World will be intolerable.

Sir James Goldsmith, the retired entrepreneur, heads a group in the European Parliament which seeks to slow European integration. This comment was distributed by New Perspectives Quarterly.

A GATT Defeat Would Harm America

By Robert J. Samuelson

WASHINGTON — You can liken next week's U.S. congressional vote on the Uruguay Round trade agreement to the debate decades ago on the League of Nations. In the end, this is less about trade than about how Americans see their role in the world and how other countries view America's role.

If Congress rejected the agreement, it would move America toward isolationism and handoff presidents' ability to deal with other countries. It would be a foreign policy calamity.

Congress's rejection of the League in 1920 was one of the pivotal events which, by largely withdrawing America from the world stage, ultimately led to World War II. But no one could then foresee the final consequences, just as no one can now.

Rejecting the trade treaty would be a highly symbolic act. It would scare politicians of both parties from overseas commitments of all sorts. At a minimum, U.S. global leadership would be hamstringed.

Foreign governments have long wondered whether they could trust the United States. Most international negotiations involve messy, unpopular compromises for everyone. Why make such deals with U.S. presidents if Congress later disowns the results?

By second-guessing, Congress deprives presidents of the flexibility to determine overriding U.S. interests.

The trade agreement, in short, involves much more than trade.

Even if it didn't, it would deserve approval. Economic gains, although speculative and often exaggerated, are significant. A study by Jeffrey Schott and Johanna Buurman, of the Institute for International Economics in

Washington, estimates that U.S. GDP would be about 1 percent higher in a decade with the agreement. This cautious estimate implies nearly \$70 billion in extra annual income — year in and year out — at today's prices.

Trade raises incomes because it enables a country to specialize in the products, technologies and industries where it is relatively most efficient.

Objections come from those who might lose economically or who believe that U.S. "sovereignty" would be usurped by the new World Trade Organization. American textile and clothing companies would suffer. But these are poorly paying industries that have been retreating for decades before foreign competition.

The consumer advocate Ralph Nader argues that WTO judges might find that some U.S. environmental, health or safety regulations discriminate against imports and therefore violate the trade agreement. The United States would then have to modify the offending regulations or face trade penalties: say, higher tariffs on U.S. exports.

True, but the specter of U.S. regulations coming under siege is exaggerated. Most simply do not involve trade. More important, all advanced societies have similar regulations. Mutual self-restraint seems likely.

Every American generation must come to terms with America's position in the world. This is no harder than at any time in the past half-century. American internationalism after World War II drew its strength from the Cold War, U.S. economic superiority

and memories of failed isolationism. All these forces are now spent. The Cold War is over, the American economy, although still the world's largest, is no longer so dominant, and few Americans recall the isolationist interlude between the wars.

What remain are more ambiguous economic and security needs. The United States cannot disengage from world commerce nor wall itself off from global tides of technology, immigration and fanaticism of all sorts. But the threats are less clear, and it is easier to indulge visions of self-sufficiency and isolationism.

The Washington Post.

Sympathy Should Be The Rule

By Anthony Lewis

BOSTON — On Tuesday, two days before Thanksgiving, I had a telephone call from a young man who asked how he could reach a Sarajevo children's doctor I had mentioned in a column. "I want to help," he said.

Who was he? I asked. A 20-year-old student at the University of California in Berkeley, Shervin Pishevar. And why was he interested in what was happening in Bosnia? "I know about the feelings of children in war," he said. "I was a 6-year-old in Iran when the Iran-Iraq War started in 1980 and bombs began falling. I'll never forget my fear."

Then how had he come to America? His father had been an executive of Iranian television, Mr. Pishevar said. After the revolution he was in danger, and in 1980 he left for America. The rest of the family followed a year later.

"Even with hard times, we've succeeded in this country," he said. My father went from television to driving a taxi in Washington, D.C. My mother worked as a maid. Now my brother, who's 26, is a lawyer. My sister, 24, is getting her Ph.D. in clinical psychology. And my father, who's 56, is working on a Ph.D. in mass communication; he has his dissertation defense tomorrow.

"Every Thanksgiving my mother gets up at 6 in the morning and cooks until 5 in the afternoon. The whole table is full of food. We sit down, we say our prayers and each of us talks about what we've been through and how important we are to each other. And we always talk about how we have a responsibility for other people."

"One of the Persian poets, Sa'di Shirazi, said: 'The sons of Adam are limbs of each other, having been created of one essence. When the calamity of time affects one limb, the other limbs cannot remain at rest. If thou hast no sympathy for the troubles of others, thou art unworthy to be called by the name of man.'"

"That's what Sarajevo is about. We all have a responsibility to each other."

At Berkeley, Mr. Pishevar is majoring in plant genetics and cell biology, studying the wing bean ("a wonderful plant from New Guinea — it has unusual ground tubers that are edible, and so are the beans and the leaves"). He also works as a volunteer in the emergency room of a children's hospital, running for supplies and helping the children to stay calm — "the doctors and nurses have enough stress trying to save the child's life."

But now Bosnia is on his mind. He wants to reach the doctor in Sarajevo and offer to come and help in the children's clinic.

"A couple of days ago I saw a picture of a 7-year-old boy in Sarajevo who had been shot in the head. I don't know how we can ignore the killing of children. What has become of our humanity? I'm afraid we have lost the sense of responsibility for people who are being murdered by hate. I don't know what has happened to us. America has a history of helping those who are suffering."

Just 50 years ago we saw the horror of mass murder that happened because people hated those who were different. I can't understand why we haven't learned."

As Mr. Pishevar spoke, I began to write down what he said. It seemed to me that he understood a lot about Thanksgiving and about America. And this year, his comments were poignant.

In Thanksgiving week, 1994, newly empowered Republicans in Congress made plans to crack down on immigrants and the poor. Senator Patrick Leahy, a Democrat, noting the plans to limit food stamps and other feeding programs, said: "Not since the Great Depression has the possibility of millions of children lining up at soup kitchens been so real."

Which America are we? Are we the land of hope and sympathy? The land of amazing opportunity for immigrants, and amazing benefits from them? Or a land of meanness, of cold certainty that the unfortunate deserve their fate?

The New York Times.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1894: Native Uprising

LONDON — Advice have been received from Australia of a native uprising having taken place. In all the islands near New Guinea scores of European settlers have been murdered by Kanakas. The steamer Three Cheers, of Sydney, reports calling at New Ireland with supplies and finding the port in ashes and white men nowhere to be found. Traces of a cannibal feast of recent date were found on Admiralty Island.

1919: Sinn Fein Banned

LONDON — [From our New York edition:] The government in Ireland will issue from Dublin Castle tomorrow [Nov. 26] a proclamation declaring the Sinn Fein and every allied organization throughout the length and breadth of Ireland illegal, and ordering their suppression immediately.

1944: German Atrocities

WASHINGTON D.C. — [From our New York edition:] The War Refugee Board, in what was regarded as the most shocking document ever issued by a United States government agency, made public today [Nov. 25] an official report on German atrocities that have caused the death of "millions of innocent civilians — Jews and Christians alike — all over Europe." The "revolting and diabolical" German atrocities were described as a "campaign of terror and brutality which is unprecedented in all history and which even now continues unabated," and is part of the German plan to subjugate the free peoples of the world. "The report is an indictment of the entire German nation, for it makes clear that the atrocities were directed from Berlin, and that they were planned and executed by Germans."

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An Architect's Architect

By Roderick
Conway Morris
International Herald Tribune

MANTUA, Italy — It has been the occupational hazard of the architect through the ages not to live long enough to see a life's work reach completion, but Leon Battista Alberti (1404-1472) was especially unfortunate in this respect.

The author of "De re aedificatoria," the architectural treatise that became the bible of architects for more than 300 years, Alberti did more than any other Renaissance artist to rationalize the theory and practice of building and to revive classical architecture, yet hardly any of his inspirational designs came to fruition during his lifetime.

Consequently, this immensely influential figure has been doomed to a kind of limbo: a constant presence for art and architectural historians, he remains an elusive, shadowy figure for the wider public. In an attempt to remedy this, "Leon Battista Alberti" is being staged at Palazzo Te (until Dec. 11) in Mantua, where Alberti's largest extant work, the church of Sant'Andrea, was begun shortly after his death. The show is illuminatingly illustrated both by newly constructed wooden models and three-dimensional computer simulations that re-create his existing buildings as Alberti conceived them, stripping away the numerous later modifications and accretions.

ALBERTI was the illegitimate son of a Florentine living in exile in Genoa. His father's peregrinations in search of business opportunities took the family to Venice, giving the boy the chance to study at Italy's leading universities nearby. Though he finally graduated from Bologna in law, he also studied Greek, math, physics and optics at Padua.

When the Florentine ban on the Alberti clan was lifted in 1428, Leon Battista was able to see his "native" city for the first time. Brunelleschi's amazing cathedral dome was then under construction, and seeing it and Florence's other artistic riches had a profound effect on him. Initially, however, he followed a literary and ecclesiastic career. In his late 20s Alberti took up residence in Rome, and with his financial independence guaranteed by lucrative church posts, he was free to devote himself to research and scholarship.

One of the fascinating aspects of Alberti's life is the constant interplay and cross-fertilization between his scientific and artistic interests. By the time he was 30 he had written a magisterial description of Rome and its monuments, having surveyed the city with a camera obscura and a geodetic device of his own invention. There followed a Latin treatise on painting, "De pictura," in which he more or less laid the foundations for all subsequent art theory. The year after, he published the work in Tuscan (the dialect that formed the basis of Italian) and became a champion of the use of the vernacular as a literary and scientific language.

For 20 years immersed in his studies and frequently traveling from Italian court to court as an artistic adviser, it was not until he completed his monumental architectural treatise that he turned his attention to designing buildings.

"The 16th-century art historian Vasari was a bit snooty about Alberti," said Professor Joseph Rykwert, whose Edinburgh-based Alberti Group did much of the research for the show, "saying he was a better writer than artist, better with the pen than the brush. But, in reality, there is no doubt that Alberti was a considerable artist, an accomplished painter and knew all the necessary techniques, such as how to cast bronze."

Equally, added Rykwert, the view that Alberti remained more a theorist than a practitioner is

contradicted by the evidence. "All the letters we have prove that he did go on site and was a very practical man, and in that sense very much an architect. We can actually show now, because we've done computerized surveys, the dimensional precision with which he worked. If he was designing a building for Florence he would do the measurements in Florentine braccia because that is what the craftsmen used there, whereas for Mantua he used Mantuan feet."

"He was also very interested in harmonizing the dimensions used in different cities. And, in fact, one of the things he proposed in his survey of Rome is a standard measure based on the circumference of the Earth, which is indeed — the meter."

WHY, then, was hardly a single one of Alberti's buildings finished during his 20 years of activity in the field? Part of the difficulty was that Alberti came to architecture relatively late, but also, said Rykwert, because his patrons had financial problems. The exception was the Florentine magistrate Giovanni Rucellai, who commissioned Alberti to design a palazzo, a sepulcher and the facade for Santa Maria Novella.

"The sepulcher was the only thing actually finished in Alberti's lifetime and was, we think, more or less as he wanted it. It is a fascinating object because Giovanni Rucellai sent masons to Jerusalem to take measurements of the Holy Sepulcher, so the tomb is a kind of half-sized model of the original one." Even then, the setting of the sepulcher was radically altered subsequently: Alberti had placed it in an open-sided loggia so that it would be visible from the main body of the church, but the opening was later bricked up, boxing the tomb in. A computer simulation of the intended arrangement, which allows one to see the tomb from a distance and then walk around it, convincingly reveals how much more dramatic the presentation of this exquisitely elegant and proportioned structure must once have been.

Rykwert and his team also use models and vivid computer visuals to re-create Mantua's Sant'Andrea as it might have been, suggesting that the church's poor internal light is the result of changes in Alberti's original plans, which included large windows in the domes of the side chapels and in the walls above them.



Tom Lodigian APT Mantua
Sant'Andrea in Mantua.

Paris Roofs: Fifth Dimension

By Joseph Fitchett
International Herald Tribune

PARIS — The overhead geography in Paris — the roofs — has always figured in the city's visual romance, sometimes as the bohemian artist's garret under the roof, more enduringly as the vista across one of the few capitals that can be apprehended in a glance. The slate-gray roofs are a landscape, with *espaliers* of chimneys that moodily reflect the light and weather. In most cities, the roof is rarely more than a lid, perhaps a decorated rim for a building. In Paris, it's a fifth wall.

This fifth dimension is lovingly explored in an exhibition, "Les toits de Paris: de toits en toits," which runs until Dec. 31 at the Pavillon de l'Arsenal, the Paris architecture museum. The center, in the five years since it opened with a small budget from the mayor's office, has a growing reputation for its witty, relevant takes on how the city got its shape and sensible examples about what to do next.

The rooftops of Paris in the collective memory are dramatized in giant-screen projections of film sequences. Cat-burgler Fantomas capers beyond the law's grasp with diabolic freedom. Harrison Ford struggles above the streets in a cliffhanger. Rock groups, Surrealists, fashion photographers make the roof scene.

THE turning point was the invention of the elevator. For centuries, the lower floors had been the better floors, with servants and poor relations climbing the stairs. These slant-ceilinged *chambres de bonne*, which provided cheap lodgings for generations of students, now are disappearing as owners convert them into rooms with a view.

Rooftop terraces flourished in Paris, all too briefly, in the 1920s and the 1930s once reinforced concrete made it practical to build wide, flat roofs. The new building material's master, the architect Auguste Perret, showed the way by putting his own apartment atop one of his buildings.

The city's planners never embraced his skyscraper vision of Paris but his building techniques coincided with a fresh-air cult: playgrounds for schoolchildren and solariums for the sick, rooftop terraces were also social settings for the rich, including a besotted aristocrat who built a farmhouse, complete with meadow, on his roof overlooking the Seine.

An extraordinary terrace, still mythic among architects, was built on the Champs-Élysées for Charles de Beistegui in 1929 by Le Corbusier. The Beistegui taste for lavish fancy-dress balls is evident in the two-story terrace: A screen of painted trees on wheels could be shifted to change the panorama and the small top terrace was completely enclosed, four walls forming a room that was open to the sky and carpeted with grass. The only furniture was two armchairs in front of a fireplace, which formed an optical illusion with the Arch of Triumph looming above the terrace wall.

Rooftop terraces were abandoned in postwar Paris and the space left as grveled vacant lots for dumping the bulky machinery needed to run elevators, air conditioning and other modern conveniences. Trying to find new room at the top, the

exhibit showcases some dazzling recent roof architecture, which reopens the tops of buildings and replaces the eyesores with eye-pleasing finishes. The show's organizers, with the planning hubris that has saved Paris in the past, plead for roofs as a new ground reconciling city dwellers with the heavens.

So surprising is their appearance that the whole group remained on sale in Hong Kong for a long time at only a fraction of the price that each one now commands. Once Lally made the jump,

Is China Losing Its Past?



Silver and gold inlaid roundel from China in 4th or 3d century B. C. fetched \$850,000.

International Herald Tribune

PARIS — Something funny seems to be going on in China. In the last four years, the flow of antiquities handled by "clandestine" diggers who sell them to the Hong Kong art trade has not just continued to be torrential as it has been since the early 1980s. It now increasingly affects works of art of a rarity and

SOURIN MELIKIAN

splendor that one expects to come out of the most important archaeological sites. Bemused Western dealers, who carefully abide by the law, are buying these openly from well-established traders. They can hardly conceal their surprise.

The first intimation that a new phase was beginning in the quarrying of buried art treasures as open loot came in 1990. In June, James C. Lally, America's premier dealer in early Chinese art, displayed in his New York gallery a small group of Tang wooden figures. The type reminded connoisseurs of the eighth-century figures of court attendants, musicians and other characters molded and painted under the glaze, with one difference. These were vastly superior as sculpture goes. There was a flowing movement to the gowns of the slender silhouettes, a subtlety in the expression of the faces that was admirable.

So surprising is their appearance that the whole group remained on sale in Hong Kong for a long time at only a fraction of the price that each one now commands. Once Lally made the jump,

things got moving. Four months later, in Paris, two statues from the group popped up at the Biennale, on the stand of Gisèle Croës of Brussels. One, retaining a fair amount of the original polychrome, was sublime. Later, a Paris dealer, Jacques Barrière, sold to the Musée Cernuschi a horse, missing part of its legs, and a groom believed to have been found with the animal. Damaged as it is, the horse is a stunning piece of animal sculpture. There was no doubt about it: A previously unknown school of Chinese sculpture covering a wide range of figural art had been discovered in the course of some commercial dig that had lost its ID — starting with the location of the find and its possible link to some royal center.

THAT same year, also in June, there came another revelation, far more exciting in terms of Far Eastern history. The London-based Parisian dealer Christian Deydier displayed on his premises and published in a glossy art-paper booklet a group of gold and silver objects in a very unusual style. The purported provenance was the ancient Liao state in Inner Mongolia. What made several of the pieces remarkable were the inscriptions incised in Chinese characters, obviously after completion. They gave dates ranging from 1024 to 1028 and named characters known from a Chinese historical source, the Liao-Shi, or official annals of the Liao. Liao is the name of a dynasty that ruled a non-Chinese people, the Turkic Kitan, better known for their ceramics.

In June 1991, Deydier followed up his 1990 show with a second, larger and more impressive group of silver objects, caskets in particular. They yielded a new crop of inscriptions including historic names and dates. Objects from the same group eventually emerged here and there from New York (Lally) to Brussels (Croës).

Excepting the December 1993 and January 1994 issues of a Taiwanese journal, The National Palace Museum Monthly of Chinese Art, no Chinese archaeological publication appears to have got wind of the find. In the Taiwan journal, the photographic material was supplied by Deydier. The only brief mentions in the Chinese media shedding any light on the subject were carried by two Beijing dailies, the Beijing Daily and the People's Daily. In early December, Deydier received from his Chinese correspondent clippings of two short paragraphs referring in the vaguest possible terms to the discovery of fragmentary silver boxes. The find made "by our archaeologists" had taken place along the border separating the Han province of Hebei and Inner Mongolia. There were inscriptions, including the name Wenzhong Wangfu that recurs on several of the Deydier vessels, and dates from 1022 to 1027. Another clipping was sent by the correspondent who indicated it was from a Nanjing daily. And that was it.

Deydier says that after that, the original Chinese supplier to the Hong Kong market was not heard of anymore. His guess is that the supplier emptied a vast hoard found in a partly intact

underground cache. The few remaining pieces, Deydier reckons, must have come into police hands and been handed over to cultural authorities. If there had been an excavation, an archaeological report would have come out. If the discovery is not a hoax (and the caskets and bowls do not give that impression), a fantastic site has been lost to science.

Some of the inscriptions raise problems of interpretation that would be solved if the pieces had been found in situ. Such as it is, the group, which requires a proper monograph, writes a lost chapter of Kitan cultural history. It is entirely wrong to look at it as some form of Chinese provincial art with archaic features inherited from the Tang. Aesthetically, it belongs to another world, emphasizing vigor and movement, not sophistication. Historically, its links are as much with eastern Iran (a gold footed bowl reproduces an Iranian shape of the seventh to eighth century) and Turkistan, now called Sinkiang (the dancers on a casket dated 1026 are typical). Coins, shards of textiles, fragments of glass or ivory of no commercial value that must surely have been lying around — to say nothing of other, complete objects — might help us draw the overall picture of Kitan art and culture at that point.

This year, going through other selling shows of early art from the People's Republic of China gives the feeling that the reckless rape of the past is worsening.

In June, Lally showed among other masterpieces, a huge bronze door ring of the Han period. A powerful taotie mask in high relief clutches the chambered ring in its teeth. It must have been ripped off the stone door of some funerary chamber or, perhaps, a sarcophagus. In the interests of art history, one would like to know where such an extraordinary object was found.

At the Biennale, several objects were of a kind that one

does not expect to be wandering about the market. On the stand of Croës, a silver and gold inlaid roundel of the fourth or third century B. C. was decorated with a feline and a dragon locked in a furious battle. Stylized almost to calligraphic abstraction, this is one of the earliest examples of such a theme in Chinese art. The object is so far unique.

So is a halberd, probably of the third century B. C. The gilded bird in the round perched on the edge of the tubular opening of the haft is a gem of animal sculpture itself. On the blade, a calligraphic band of characters with bird heads sends back an echo of the bird in relief. This rare among the great masterpieces of Chinese art, albeit not a spectacular one. It was bagged by a "Far Eastern museum" (\$70,000) as was the roundel (\$850,000).

IT all climaxed on the stand of Deydier with a huge bronze, more than 26 inches (66 centimeters) high, which looks like some bell. The dealer dates it from the late Shang period, around the 11th century B. C. This is a southern Chinese version of the Shang style, hitherto unknown in the West. Deydier's object weighs 78 kilos (170 pounds). How "clandestine" can you be, carving a 26-inch chunk of metal overland, all the way to the coast, and that in a state where policing is reputed to be vigilant?

Asked about the reasons for high gear, Deydier says that the urge to get rich quickly and have a stash abroad is now pervasive. A few rules are still observed. Exporting archaic bronzes with royal inscriptions is frowned upon. In Hong Kong, Deydier heard of a bronze that was going back. The dealer had been given signals that its return was "desired." If this is true, the bronze will be back, but its history can never be recovered. It is now lost, to China and to the rest of the world.

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Monday, December 5, 1994

Room 16 at 2.15 p.m. — 19th and 20th Cent. PAINTINGS AND SCULPTURE. Experts: MM. A. Pagan and A. de Lencquesaing, M. F. Balle. On view: please contact France. Taitel (tel. 330) or Christine Pavonnet (tel. 358). **ETUDE TAJAN, 37**, rue des Mathurins, 75008 PARIS. Tel: (1) 53 30 30 30 - Fax: (1) 53 30 30 31. In NEW YORK please contact Kety Maisonrouge & Co. Inc. 16 East 65th Street, fifth floor, N.Y. 10021. Phone: (212) 737 35 97 / 737 38 13 - Fax: (212) 861 14 34.

Tuesday, December 6, 1994

Room 10 — ART NOUVEAU — ART DECO. Experts: Cabinet d'expertise Camard. Please contact: Catherine Chabrit or Ophélie Wilhax (tel. 358). On view: Monday, December 5, 11 a.m. - 6 p.m. **ETUDE TAJAN, 37**, rue des Mathurins, 75008 PARIS. Tel: (1) 53 30 30 30 - Fax: (1) 53 30 30 31. In NEW YORK please contact Kety Maisonrouge & Co. Inc. 16 East 65th Street, fifth floor, N.Y. 10021. Phone: (212) 737 35 97 / 737 38 13 - Fax: (212) 861 14 34.

Wednesday, December 7, 1994

Room 11 at 2.15 p.m. — 3rd and last sale. JEWELLERY/WRIST WATCHES. Experts: MM. R. Dehaut and Th. Stetten, EL de Sevin. Please contact Florence Grether (tel. 358). On view: Tuesday, December 6, 11 a.m. - 6 p.m. **ETUDE TAJAN, 37**, rue des Mathurins, 75008 PARIS. Tel: (1) 53 30 30 30 - Fax: (1) 53 30 30 31. In NEW YORK please contact Kety Maisonrouge & Co. Inc. 16 East 65th Street, fifth floor, N.Y. 10021. Phone: (212) 737 35 97 / 737 38 13 - Fax: (212) 861 14 34.

Room 2 at 2.30 p.m. — HUNTING. (OBJETS D'ART, PAINTINGS, SCULPTURE, etc.). **MILLON-ROBERT, 19**, rue de la Grange Batelière, 75009 PARIS. Tel: (1) 48 00 99 44 - Fax: (1) 48 00 98 58.

Friday, December 9, 1994

Room 7 at 2.15 p.m. — FROM A PRIVATE PARISIAN TOWN HOUSE AND OTHER COLLECTORS — 17th, 18th, 19th Cent. FURNITURE AND OBJETS D'ART — OBJETS DE CURIOSITE AND MINIATURES 18th and 19th Cent. Experts: MM. J. Saint-Bris, M.G. Lefebvre assisted by Louis Lefebvre, M.O. Rore. On view: Thursday, December 8, 11 a.m. - 6 p.m. **ETUDE TAJAN, 37**, rue des Mathurins, 75008 PARIS. Tel: (1) 53 30 30 30 - Fax: (1) 53 30 30 31. In NEW YORK please contact Kety Maisonrouge & Co. Inc. 16 East 65th Street, fifth floor, N.Y. 10021. Phone: (212) 737 35 97 / 737 38 13 - Fax: (212) 861 14 34.

Sunday, December 11, 1994

Room 4 at 2.30 p.m. — AMERICAN QUILTS AND PATCHWORK. **MILLON-ROBERT, 19**, rue de la Grange Batelière, 75009 PARIS. Tel: (1) 48 00 99 44 - Fax: (1) 48 00 98 58.

DROUOT MONTAIGNE

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Tuesday, November 29, 1994

At 3 p.m. — HAUTE COUTURE. **MILLON-ROBERT, 19**, rue de la Grange Batelière, 75009 PARIS. Tel: (1) 48 00 99 44 - Fax: (1) 48 00 98 58.

Thursday, December 1st, 1994

At 8.30 p.m. — ART NOUVEAU — ART DECO. **MILLON-ROBERT, 19**, rue de la Grange Batelière, 75009 PARIS. Tel: (1) 48 00 99 44 - Fax: (1) 48 00 98 58.

Friday, December 2nd, 1994

At 8.30 p.m. — MODERN & CONTEMPORARY PAINTINGS, COLLECTORS. **MILLON-ROBERT, 19**, rue de la Grange Batelière, 75009 PARIS. Tel: (1) 48 00 99 44 - Fax: (1) 48 00 98 58.

Saturday, December 3rd, 1994

At 2.30 p.m. — IMPORTANT JEWELLERY. **MILLON-ROBERT, 19**, rue de la Grange Batelière, 75009 PARIS. Tel: (1) 48 00 99 44 - Fax: (1) 48 00 98 58.

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Saturday, December 5, 1994

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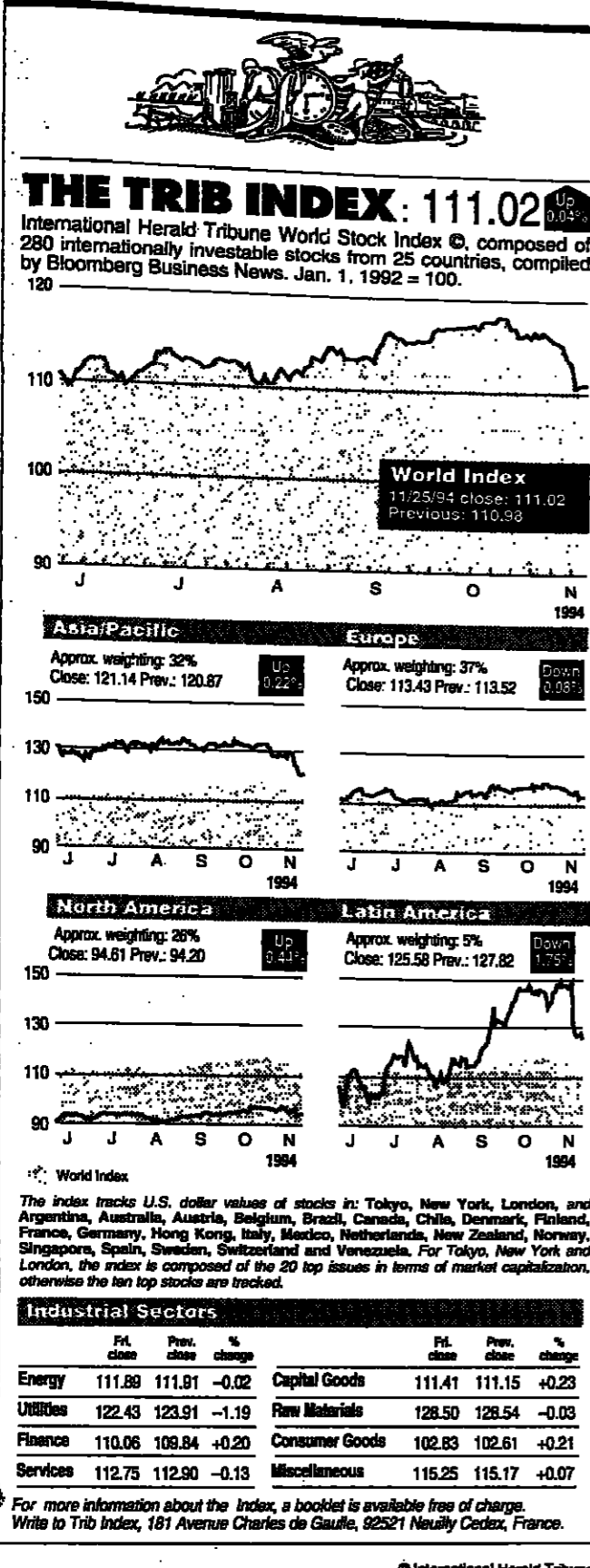
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Merger Set by Top U.K. Thrifts

Compiled by Our Staff From Dispatches
LONDON — Two of Britain's largest home-loan lenders said Friday that they would merge to create the country's third-biggest bank.
The joining of Halifax Building Society and Leeds Permanent Building Society, with total assets of about £90 billion (£140 billion), will intensify already fierce competition in the financial services sector.
"The enlarged business will be well-positioned to compete effectively in the market for personal financial services," said Halifax's chairman, Jon Foulds. The society will carry the Halifax name.
In Britain, building societies are owned by their depositors. The merger announced Friday is subject to approval from those depositors and from the Building Societies Commission, which regulates the industry.
The deal was criticized by politicians and labor unions. But analysts said they did not foresee serious obstacles.
The Labor Party demanded that the government look at the effect of the merger on competition in the banking sector and the industry's trade union said it could lead to job cuts.
"This merger will create the third-biggest financial institution in Britain and the government must consider what effect it will have on competition and choice for the public," said the Labor Party's financial spokesman, Alistair Darling.
While the societies' depositors will not win a cash bonus from the merger, they will be given shares when the company seeks a listing on the London Stock Exchange. With about 8 million investing members, that could make Halifax the most widely held share on the British market. (Reuters, Bloomberg)

What's Bothering Stocks Fall in Cyclical Shares Sends a Signal

By Floyd Norris
New York Times Service
NEW YORK — The stock market is suddenly getting worried about the health of the economy.
The plunge in prices this month, and particularly on Monday and Tuesday, has hit cyclical stocks — the issues most dependent on a strong economy — the hardest. At the same time, the bond market has suddenly gained strength.
"What the cyclical stocks are telling us is that a slowdown is imminent," said Ed Goldfarb, a strategist at Aetna Investment Management. "I think that is what broke the back of the market this week," without any real confirming economic data.
U.S. investors returned from their Thursday Thanksgiving holiday apparently less pessimistic about the economy, as stocks rose 33.64 points to 3,708.27 Friday.
A string of important economic reports next week, including data on the gross domestic product, unemployment, factory orders and leading economic indicators, might help persuade investors that the market will continue to bounce back.
"What you have seen is fear that the economy is headed into a recession," said Abby Joseph Cohen, co-chairman of the investment policy committee at Goldman, Sachs & Co. "There has been a notable rotation away from stocks whose earnings are economically sensitive."
For much of the last two years, cyclical stocks had led the market. Their strength predated most economists' discovery that the economy was growing surprisingly quickly.
Now, cyclical issues are turning downward, reflecting worry that the Federal Reserve, which has raised short-term interest rates six times this year, will go too far. The most recent rise was last week, when the Fed pushed up short-term rates by 75 basis points, or three-quarters of a percentage point.
The stock market has long had a reputation for worrying about the economy whether it needed to or not. A prominent economist, Professor Paul Samuelson, is credited with having said that the stock market had forecast many more recessions than had actually occurred. And there are few indications that economic activity in the United States is in danger of seriously slowing.
That is one reason some analysts, including Mrs. Cohen of Goldman Sachs, saw the recent plunge in prices as a buying opportunity and suggested that investors would grow more encouraged when they saw that the economy and corporate profits would not fall by much next year.
One of the stock market's great strengths since 1988 has been the willingness of individual investors, particularly mutual-fund buyers, to view dips as buying opportunities, rather than as cause for panic. While stock fund buyers have been losing enthusiasm, so far there is no sign of a run for the exits.
But Byron Wien, chief U.S. equity strategist for Morgan Stanley, said a change may be coming. On Monday, he recommended that portfolio managers raise their cash levels to 15 percent, from 3 percent.
He pointed to evidence that households

Germany Names Goldman to Aid Telekom Sale

By Brandon Mitchener
International Herald Tribune
BONN — In what is likely to be a lucrative coup, Goldman, Sachs & Co. emerged from about two dozen international investment banks as the coordinator of foreign stock sales in the privatization of Deutsche Telekom, the German government said Friday.
Goldman will serve as co-lead manager of the biggest German public offering ever, scheduled to begin in 1996, together with Deutsche Bank AG and Dresdner Bank AG, which will bear primary responsibility for the German portion of the 15 billion Deutsche mark (\$10 billion) issue.
"Only a limited number of banks have the necessary experience in telecoms privatizations, and of these Goldman has had the most experience to date," Wolfgang Bötsch, the post and telecommunications minister of Germany, said.
Goldman has been the global coordinator for recent telecommunications company privatizations in Denmark, Mexico, New Zealand and Thailand.
Banking sources predict commissions from the German privatization will come close to 400 million DM.
One factor leading to Germany's choice of Goldman is the guru-like status its telecommunications analyst, Robert Morris, has among many institutional investors. Mr. Morris has been the industry favorite for the past eight years, according to surveys by Institutional Investor magazine.
Another factor, according to Stefan Jentsch, the Goldman director in charge of the Telekom project, was the company's high profile in Germany.
"We've been involved as a sounding board since the start of this project three to four years ago," he said. "In the near future we think the telecoms industry will play the role that the car industry has played in the past few decades, becoming the biggest single contributor to gross domestic product."
Goldman paved the way for its selection by testifying at numerous German government hearings and pumping resources into the Frankfurt financial market, where its staff now numbers more than 200.
Between 50 percent and 60 percent of Deutsche Telekom issue is expected to be subscribed by German investors. As much as 300 million DM, or 20 percent of the tranche, is expected to be placed in the United States.
Although there are no official regional quotas, Deutsche Telekom said about 10 percent of the offering would probably be placed in Britain.
"We want a lot of the shares to stay in Germany, but we're also interested in getting international investors because the German capital market simply isn't big enough," Mr. Bötsch said.
The first tranche of the privatization alone will be roughly as large as the stock market capitalization of Volkswagen AG, KfW AG and Lufthansa AG combined. Its size will propel Telekom from stock market obscurity to membership in the DAX, Germany's 30-share blue-chip index.
Mr. Bötsch said the Telekom rights issue would strengthen the company's capital base, increase its ability to compete, liberalize the European market for telecommunications services and make an "important contribution" to the development of German financial markets.
Proceeds from the initial public offering will be used to retire debt. The German government will not profit from the actual sale of its own Telekom shares until after the year 2000.

Sony Co-Founder Steps Down

By James Stern
New York Times Service
TOKYO — Akio Morita, the brass entrepreneur who co-founded Sony Corp. and turned it into one of the world's most innovative electronics companies, resigned as chairman Friday for health reasons, the company announced.
Mr. Morita, 73, suffered a cerebral hemorrhage last year that reportedly left him lucid but physically impaired and in a wheelchair.
During Mr. Morita's 48-year reign, Sony achieved spectacular success with its television sets, stereo equipment, video cameras and the much-imitated Walkman tape player, a concept that revolutionized consumer electronics.
But the company also made some bad bets, including its commitment in the early 1980s to the Beta format during the early years of home video. After several years of competition, it became clear that the rival VHS format was gaining wider acceptance and Sony took big losses on Beta.
Mr. Morita will stay on as honorary chairman, the company said. It did not announce a successor. The president, Norio Ohga, has been running Sony in Mr. Morita's absence.
There was some speculation in Tokyo that Mr. Morita's retirement was an opening to push Mr. Ohga out as president, clearing the way for new top management after the company's debacle in Hollywood. But company officials insisted that the move had been made at Mr. Morita's insistence and had no other meaning, which several analysts said they accepted.
[The timing of the announcement.]

ECONOMIC SCENE

Indonesia at Edge of a Water Crisis

By Michael Richardson
International Herald Tribune
JAKARTA — A looming water shortage in Indonesia's major cities and industrial centers will curb the country's economic growth unless better management methods are introduced, government and World Bank officials warn.
Rapid industrialization and urbanization in the world's fourth most populous nation are putting an unsustainable demand on available supplies of water for both personal and business consumption. Several other Asian nations, including China and Thailand, face similar problems.
Environment Minister Sarwono Kusumadarmas said in a recent interview that "a serious scarcity problem will arise within three to five years" in Jakarta and Surabaya — Indonesia's largest cities, where many factories are concentrated — unless action is taken to conserve water and use it more efficiently.
He said that such a shortage would cause difficulties for a number of industries that need large amounts of water, including textiles, pulp and paper, and hotels.
"If we have water shortages and rationing, it will have a serious economic impact on industry," said Aburizal Bakrie, chairman of the Indonesian Chamber of Commerce and Industry. "We have to find ways of conserving water and then creating more of it, perhaps by desalination if it's economically feasible."
He said the chamber would be telling its members that even though water recycling and anti-pollution equipment was an added expense, "it is not a negative investment."
Mr. Bakrie is unusual among businessmen in Indonesia because he is aware of the water problem and the need to do something about it. Many business people, including foreign investors, appear so preoccupied with growth and profits that they overlook the state of basic natural resources on which their operations depend.
In a report to the Indonesian government this year, the World Bank cautioned that with growing congestion and pollution in its main urban centers, "it will be increasingly difficult for Indonesia to compete for foreign investment, especially in the higher-technology industries needed to enhance the productivity of the labor force."
The bank said that heavy reliance on underground water to serve industrial and domestic needs in Indonesia's big cities could not continue indefinitely. It added that Jakarta and other cities, such as Surabaya on the north coast of Java, were particularly vulnerable.
In those cities, the bank warned, water is being drawn from aquifers more quickly than it is being replenished, "leading to saltwater intrusion and land subsidence with attendant increases in floods and waterlogging, which in turn aggravates groundwater pollution from septic tanks."
There are not enough dams to supply Jakarta or Surabaya, and nearby rivers are heavily contaminated with human and industrial waste. In the dry season, which is just ending, the water level falls and the pollution becomes worse.
Environmental specialists at the bank estimate that industries, hotels and private consumers in Jakarta are using wells and pumps to draw more than 300 million cubic meters (about 10 billion cubic feet) of underground water a year — about three times the replenishment rate of the aquifers.
As a result, seawater is seeping into the reservoirs, with the saltwater area in the northern parts of the Indonesian capital expanding rapidly and now extending 15 kilometers (9 miles) from the coast.
More than 70 percent of industries in Jakarta use underground water, either because piped water supplies are inadequate or because it is substantially cheaper to do so.
Indonesia has a population of more

Chamber of Commerce members are being told that water recycling and anti-pollution equipment 'is not a negative investment.'

See WATER, Page 11

CURRENCY & INTEREST RATES

Cross Rates

	\$	£	D.M.	F.F.	Lira	Y.P.	S.F.	Yen	CS	Peso	
Australia	1.245	0.755	1.360	6.360	1.360	—	5.65	1.328	1.28	1.36	
Canada	0.710	0.430	0.470	2.210	0.470	—	—	0.470	0.470	0.470	
France	6.550	3.830	1.000	1.000	1.000	—	—	0.470	0.470	0.470	
Germany	1.936	1.136	1.000	4.756	1.000	—	—	0.470	0.470	0.470	
Italy	1.360	0.790	1.360	6.360	1.360	—	—	0.470	0.470	0.470	
Japan	1.360	0.790	1.360	6.360	1.360	—	—	0.470	0.470	0.470	
UK	0.755	1.000	1.360	6.360	1.360	—	—	0.470	0.470	0.470	
US	1.000	0.693	1.936	9.360	1.360	—	—	0.470	0.470	0.470	
Other Dollar Values											
Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$	Currency	Per \$
Australian	0.999	Green drac.	7.775	Mal. peso	3.445	S. Afr. rand	3.534	US dollar	1.000	US dollar	1.000
Argentin.	1.218	Hong Kong	7.775	N. Zealand	1.619	S. Kor. won	794.8	Swiss franc	2.036	Swiss franc	2.036
Brunei	0.670	Indian rupee	31.25	Phil. peso	20.70	Taiwan	26.21	Thai baht	25.00	Thai baht	25.00
Chinese yuan	8.113	Indonesian Rp	1,577	Port. escudo	200.48	Turkish lra	365.35	Urugu. peso	16.78	Urugu. peso	16.78
Czech koruna	20.36	Israeli sheq.	3.033	Roma. lira	366.66	Venez. boliv.	193.7				
Danish krone	6.46	Kuwaiti dinar	4.000	Saudi riyal	5.000						
East German	1.000	Malay. ring.	2.336	Sing. dollar	1.360						
Swiss franc	2.036										

Forward Rates

Currency	30-day	60-day	90-day	Currency	30-day	60-day	90-day	Currency	30-day
Australian	1.245	1.245	1.245	Canadian dollar	0.710	0.710	0.710	Japanese yen	1.360
British pound	0.755	0.755	0.755	Deutsche mark	1.936	1.936	1.936	Swiss franc	1.936
French franc	6.550	6.550	6.550	Italian lira	1.360	1.360	1.360	US dollar	1.000
German mark	1.936	1.936	1.936	Spanish peseta	166.64	166.64	166.64	Thai baht	25.00
Japanese yen	1.360	1.360	1.360	Taiwan dollar	26.21	26.21	26.21	Urugu. peso	16.78
South African rand	3.534	3.534	3.534	US dollar	1.000	1.000	1.000	Venez. boliv.	193.7
Swiss franc	2.036	2.036	2.036						

Eurocurrency Deposits

	Dollar	D-Mark	Swiss Franc	Sterling	French Franc	Yen	ECU
1 month	5 1/2-5 1/2	4 1/2-5	3 1/2-3 1/2	5 1/2-5 1/2	5 1/2-5 1/2	2 1/2-2 1/2	5 1/2-5 1/2
3 months	5 1/2-5 1/2	5 1/2-5 1/2	3 1/2-3 1/2	5 1/2-5 1/2	5 1/2-5 1/2	2 1/2-2 1/2	5 1/2-5 1/2
6 months	5 1/2-5 1/2	5 1/2-5 1/2	4 1/2-4 1/2	5 1/2-5 1/2	5 1/2-5 1/2	2 1/2-2 1/2	5 1/2-5 1/2
1 year	6 1/2-6 1/2	5 1/2-5 1/2	4 1/2-4 1/2	7 1/2-7 1/2	6 1/2-6 1/2	2 1/2-2 1/2	6 1/2-6 1/2

Key Money Rates

	United States	Close	Prev.	Britain	Close	Prev.
Discount rate	4 1/2	4 1/2	Bank base rate	5 1/2	5 1/2	5 1/2
Prime rate	8 1/2	8 1/2	Cable money	5 1/2	5 1/2	5 1/2
Federal funds	6.00	6 1/2	1-month interbank	6 1/2	6 1/2	6 1/2
3-month CDs	5.75	5.75	3-month interbank	6 1/2	6 1/2	6 1/2
Comm. paper 180 days	6.00	6.00	6-month interbank	6 1/2	6 1/2	6 1/2
3-month Treasury bill	5.75	5.75	1-year bill	6 1/2	6 1/2	6 1/2
1-year Treasury note	6.17	6.17	1-year T-bill	6 1/2	6 1/2	6 1/2
2-year Treasury note	7.19	7.19	1-month interbank	5.00	5.00	5.00
3-year Treasury note	7.64	7.65	Cable money	5 1/2	5 1/2	5 1/2
1-year Treasury note	7.68	7.68	1-month interbank	5 1/2	5 1/2	5 1/2
2-year Treasury note	7.91	7.91	3-month interbank	5 1/2	5 1/2	5 1/2
3-year Treasury note	7.95	7.95	6-month interbank	5 1/2	5 1/2	5 1/2
Merrill Lynch 30-day repo	4.59	4.59	10-year T-bill	7.95	7.95	7.95

Nov. 25

Cross Rates

	\$	£	D.M.	F.F.	Lira	Y.P.	S.F.	Yen	CS	Peso	
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Italy	1.360	0.790	1.360	6.360	1.360	—	—	0.470	0.470	0.470	
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UK	0.755	1.000	1.360	6.360	1.360	—	—	0.470	0.470	0.470	
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Other Dollar Values											
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Brunei	0.670	Indian rupee	31.25	Phil. peso	20.70	Taiwan	26.21	Thai baht	25.00	Thai baht	25.00
Chinese yuan	8.113	Indonesian Rp	1,577	Port. escudo	200.48	Turkish lra	365.35	Urugu. peso	16.78	Urugu. peso	16.78
Czech koruna	20.36	Israeli sheq.	3.033	Roma. lira	366.66	Venez. boliv.	193.7				
Danish krone	6.46	Kuwaiti dinar	4.000	Saudi riyal	5.000						
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Swiss franc	2.036										

Forward Rates

Currency	30-day	60-day	90-day	Currency	30-day	60-day	90-day	Currency	30-day
Australian	1.245	1.245	1.245	Canadian dollar	0.710	0.710	0.710	Japanese yen	1.360
British pound	0.755	0.755	0.755	Deutsche mark	1.936	1.936	1.936	Swiss franc	1.936
French franc	6.550	6.550	6.550	Italian lira	1.360	1.360	1.360	US dollar	1.000
German mark	1.936	1.936	1.936	Spanish peseta	166.64	166.64	166.64	Thai baht	25.00
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Swiss franc	2.036	2.036	2.036						

Nov. 25

Eurocurrency Deposits

	Dollar	D-Mark	Swiss Franc	Sterling	French Franc	Yen	ECU
1 month	5 1/2-5 1/2	4 1/2-5	3 1/2-3 1/2	5 1/2-5 1/2	5 1/2-5 1/2	2 1/2-2 1/2	5 1/2-5 1/2
3 months	5 1/2-5 1/2	5 1/2-5 1/2	3 1/2-3 1/2	5 1/2-5 1/2	5 1/2-5 1/2	2 1/2-2 1/2	5 1/2-5 1/2
6 months	5 1/2-5 1/2	5 1/2-5 1/2	4 1/2-4 1/2	5 1/2-5 1/2	5 1/2-5 1/2	2 1/2-2 1/2	5 1/2-5 1/2
1 year	6 1/2-6 1/2	5 1/2-5 1/2	4 1/2-4 1/2	7 1/2-7 1/2	6 1/2-6 1/2	2 1/2-2 1/2	6 1/2-6 1/2

Key Money Rates

	United States	Close	Prev.	Britain	Close	Prev.
Discount rate	4 1/2	4 1/2	Bank base rate	5 1/2	5 1/2	5 1/2
Prime rate	8 1/2	8 1/2	Cable money	5 1/2	5 1/2	5 1/2
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3 months	5 1/2-5 1/2	5 1/2-5 1/2	3 1/2-3 1/2	5 1/2-5 1/2	5 1/2-5 1/2	2 1/2-2 1/2	5 1/2-5 1/2
6 months	5 1/2-5 1/2	5 1/2-5 1/2	4 1/2-4 1/2	5 1/2-5 1/2	5 1/2-5 1/2	2 1/2-2 1/2	5 1/2-5 1/2
1 year	6 1/2-6 1/2	5 1/2-5 1/2	4 1/2-4 1/2	7 1/2-7 1/2	6 1/2-6 1/2	2 1/2-2 1/2	6 1/2-6 1/2

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3-month CDs	5.75	5.75	3-month interbank	6 1/2	6 1/2	6 1/2
Comm. paper 180 days	6.00	6.00	6-month interbank	6 1/2	6 1/2	6 1/2
3-month Treasury bill	5.75	5.75	1-year bill	6 1/2	6 1/2	6 1/2
1-year Treasury note	6.17	6.17	1-year T-bill	6 1/2	6 1/2	6 1/2
2-year Treasury note	7.19	7.19	1-month interbank	5.00	5.00	5.00
3-year Treasury note	7.64	7.65	Cable money	5 1/2	5 1/2	5 1/2
1-year Treasury note	7.68	7.68	1-month interbank	5 1/2	5 1/2	5 1/2
2-year Treasury note	7.91	7.91	3-month interbank	5 1/2	5 1/2	5 1/2
3-year Treasury note	7.95	7.95	6-month interbank	5 1/2	5 1/2	5 1/2
Merrill Lynch 30-day repo	4.59	4.59	10-year T-bill	7.95	7.95	7.95

Nov. 25

Cross Rates

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AUSTRALIAN LOTTERY Using This System You Get 11,088 Chances to Win a MILLION DOLLAR JACKPOT

You're GUARANTEED to Win a Share of Up to 150 Million Dollars Over the Next 12 Weeks.

Over the next 12 weeks, the AUSTRALIAN LOTTERY will be giving away up to 150 million dollars in prize money. We guarantee you'll win a share of this... if you play our system.

What makes our system successful? The secret is simple. You play in a GROUP. You join 139 other players in a GROUP ENTRY PLAN... so you play together and win together. This way you can afford far more entries than you could play by yourself. Your individual prize amounts may be smaller, but you have a better chance of winning the big prizes and you win more often.

For a stake of US\$3.32 a week for 12 weeks you can have 2,250 chances to win a multi-million dollar prize, and for a stake of US\$12.42 a week you get 11,088 chances to win. Every one of these chances can win you one of the BIG JACKPOTS.

These BIG JACKPOT PRIZES in the AUSTRALIAN LOTTERY are never less than 2 million dollars and they go as high as 14 million dollars... in tax-free, lump sum cash.

When your Group gets six numbers correct out of 45, you not only share in MILLIONS from the top prize but you also share in all the smaller cash prizes as well. You can win again and again during your 12 weeks of play with the same or different number combinations.

All you need to do is choose how many CHANCES to WIN you want to have...

Our REGULAR PLAN gives you 210 different number combinations and 2,520 CHANCES TO WIN. The DE-LUXE PLAN gives you 924 different number combinations and 11,088 CHANCES TO WIN.

In other words, you get so many chances, you're guaranteed to win something!

It's easy to join a GROUP PLAN

It's easy to join in, too. Your group's number combinations are selected for you by a specially programmed computer. Every number combination that's entered will be different - and all holders of Shares in the Group will share the winnings if you hit a MULTI-MILLION DOLLAR JACKPOT!

When you enter you'll be sent an ENTRY CONFIRMATION CERTIFICATE showing the numbers your Group has been allocated and the date of your first entry. Every month you'll be sent a list of winning numbers so you can see how you're doing.

The winning numbers are announced every Saturday at 8:30 p.m. on Australian television and published in leading newspapers the following day. You can always call our HOTLINE numbers in Brisbane and London whenever you want to check the winning numbers for yourself.

Indicate which GROUP PLAN you would like to join and how many CHANCES TO WIN you want by ticking the box in the ENTRY FORM below.

The size of any one Group is limited to 140 shares, but you can have more than one Share in your Group if you want to keep more of the prize monies for yourself.

Complete and return the ENTRY FORM below as soon as you can for your best chance to share in one of the AUSTRALIAN LOTTERY MULTI-MILLION DOLLAR JACKPOT PRIZES.

This Year the AUSTRALIAN LOTTERY Will Give Away Over US\$600,000,000 In Cash Prize Money.

FREE DOUBLE BONUS When You Enter the AUSTRALIAN LOTTERY DE-LUXE GROUP PLAN

BONUS NO. 1: FREE TICKET in an Australian Government AS\$20,000 "Scratch n' Win" Lottery.

BONUS NO. 2: FREE TICKET in the Australian Surf Lifesavers Draw. TOP PRIZE: A\$250,000

When you enter the DE-LUXE GROUP PLAN you earn a FREE Ticket in an Australian State Government "Scratch n' Win" Lottery with a chance to win ONE OF thousands of prizes worth up to A\$20,000. You also get a FREE Ticket in the Australian Surf Lifesavers Draw. This can win you a Luxury Apartment overlooking the beach, an SSK Mercedes Replicat or a 28' Caribbean Bertram Cruiser and other prizes. The numbers on the Draw Tickets you're allocated will be sent you with your Lottery ENTRY CONFIRMATION CERTIFICATE.

You must send in your Entry Form below within 30 days to qualify for the DOUBLE BONUS.

AUSTRALIAN LOTTERY GROUP PLAN ENTRY FORM

To: PACIFIC PLAYERS AGENTS I/F, 15 Leichhardt St., Spring Hill, Brisbane, Queensland 4000, AUSTRALIA Fax: (61) 7 831 0039

YES: I'd like to enter the AUSTRALIAN LOTTERY for a chance to win a Multi-Million Dollar Jackpot prize in a GROUP PLAN. Your computer will select the numbers and I'll receive an ENTRY CONFIRMATION CERTIFICATE showing the numbers selected and the starting date. I've ticked at right the GROUP PLAN I want to play and the number of Shares I want in my GROUP.

☐ Please charge my credit card for US\$ (tick as appropriate):

☐ American Express ☐ Visa ☐ Mastercard ☐ Diners Club ☐ Eurocard

Card No. _____

Signature _____ Expiry date _____

☐ I enclose cheque/bankdraft for US\$ _____ made payable to "PACIFIC PLAYERS AGENTS" (Any convertible currency equivalent to the US Dollar amount is accepted).

Gold

A.M.	P.M.	Ch'ge
28.75	28.75	+2.50
28.75	28.75	+2.50
28.75	28.75	+2.50
28.75	28.75	+2.50
28.75	28.75	+2.50
28.75	28.75	+2.50
28.75	28.75	+2.50
28.75	28.75	+2.50
28.75	28.75	+2.50

U.S. dollars per ounce. London official fix. Rates Zurich and New York opening and closing prices New York Comex (December).

Source: Reuters.

NUMBER OF SHARES	REGULAR PLAN	DE-LUXE PLAN
(Shares limited to 140 per Group)	10 NUMBERS 210 Combinations 12 weeks = 2,520 Chances to Win	12 NUMBERS 924 Combinations 12 weeks = 11,088 Chances to Win
ONE SHARE	US\$ 39	US\$ 149
TWO SHARES	US\$ 74	US\$ 298
FOUR SHARES	US\$ 149	US\$ 596
SIX SHARES	US\$ 239	US\$ 894
EIGHT SHARES	US\$ 319	US\$ 1,192
TEN SHARES	US\$ 399	US\$ 1,490

Postage, Handling and Service fees are covered in the above prices.

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MARKET DIARY

Dollar Advances
With Wall Street

Bloomberg Business News

NEW YORK — The dollar rose against other major currencies Friday, underpinned by gains in the U.S. stock and government-bond markets.

"Stocks performed quite well, and bonds were up a little bit. That lent support to the dollar," said Hugh Walsh, currency trader at ING Capital Markets in New York.

But with stocks having fallen so far earlier in the week, "it seems like the upside is limited

Foreign Exchange

for the dollar," said Charles Spence, director of treasury marketing at Standard Chartered Bank in New York. Currency traders watch the stock and bond markets to gauge investor interest in U.S. assets and the dollars needed to buy them.

The dollar finished in New York at 1.5602 Deutsche marks, up from 1.5566 DM on Wednesday, and at 98.775 yen, up from 98.455 yen. The dollar rose to 5.3541 French francs from 5.3405 francs and to 1.3205 Swiss francs from 1.3195.

The pound weakened to \$1.5630 from \$1.5699. The U.S. foreign exchange market was

closed Thursday for the Thanksgiving holiday, and many traders remained out of the market Friday.

"The market was anticipating stronger equity prices," said David Gilmore, a partner at Foreign Exchange Analytics, a consulting firm.

Firmer bond prices also helped, with the price of the benchmark 30-year Treasury bond rising 6/32 point, to 95 1/32. The yield slipped to 7.93 percent from 7.95 percent.

Holders of overseas equities are selling foreign currencies for dollars to lock in gains that the foreign currencies have achieved in the past several months, Mr. Spence said.

With foreign stock prices falling the past few days, U.S. fund managers want to lock profits on the currency conversion to compensate for losses on the stock holdings, he said.

Next week, the dollar could fall if the governor of Arkansas and several associates of President Bill Clinton are indicted over the Whitewater business venture, Mr. Gilmore said.

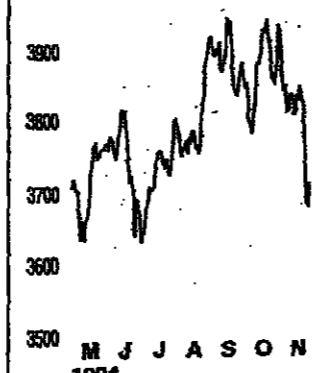
Published reports have said that prosecutors are considering indicting Jim Guy Tucker, the governor of Arkansas.

Via Associated Press Nov. 25

The Dow

Daily closings of the Dow Jones Industrial average

4000



M J J A S O N 1994

HT

NYSE Most Active

Vol. High Low Last Chg.

FPL Co 1250 24 1/2 24 1/2 -1/4

Tollman 1250 24 1/2 24 1/2 -1/4

Chicago 1250 24 1/2 24 1/2 -1/4

Ward 1250 24 1/2 24 1/2 -1/4

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Dow Jones Averages

Open High Low Last Chg.

Indus 3485.06 3712.32 3671.94 3686.27 -23.44

Trans 1725.15 1725.15 1725.15 1725.15 -0.00

Com 1252.52 1242.08 1231.47 1242.33 -10.12

Standard & Poor's Indexes

High Low Close Chg.

Industrials 524.44 524.44 524.44 524.44 -0.00

Utilities 101.76 101.76 101.76 101.76 -0.00

SP 500 224.22 224.22 224.22 224.22 -0.00

SP 400 224.22 224.22 224.22 224.22 -0.00

SP 600 224.22 224.22 224.22 224.22 -0.00

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SP 4900 224.22 224.22 224.22 224.22 -0.00

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سكان من الامم

Russia Facing Uphill Fight on Market Reform

MOSCOW — Russia has reached the bottom of its economic slump and must choose whether to boost reform or sink into stagnation, the Economics Ministry said in a report Friday.

The report, which says that 1995 "may become a turning

point" for the development of the Russian economy, comes on the heels of a cabinet shake-up that brought in several conservative ministers and raised doubts about the future of reforms launched in 1992.

Excerpts from the report, prepared for a meeting on the economy to be chaired by President Boris Yeltsin and Prime Minister Viktor S. Chernomyrdin on Saturday, were published by the Rossiyskiye Vesti newspaper, which is run by Mr. Yeltsin's government.

The meeting of top officials, economists and industrial managers will assess Russia's economic situation and outline its plans for 1995.

"The question is whether the slump will end in a dragging depression," the report said, "or if the levers of economic acceleration will be activated to ensure better economic conditions in 1995 and lay the ground for further progress in 1996 and 1997."

Mr. Yeltsin has said he remains committed to a tough line in introducing a Western-style market economy in Russia after decades of central planning, and the report was long on criticism of old Communist-style practices.

But the president may find it difficult to win support for his plans from powerful regional bosses, influential industrial managers and even some government officials.

Bock Sells Stake In Kempinski AG

DUSSELDORF — The German real-estate financier Dieter Bock sold his majority stake in the Kempinski AG luxury hotel chain to a Thai joint venture, a first step in paring his holdings to concentrate on his position as joint chief executive of Lohrhof PLC.

Although representatives of Mr. Bock's Advanta Management AG declined to discuss the price, Mr. Bock's stake was estimated to be worth about 130 million Deutsche marks (\$83 million).

The sale had been expected since Mr. Bock assumed control at Lohrhof this month when his joint chief executive, Roland (Tini) Rowland, resigned.

Mr. Bock sold Advanta's stake to Dusit Sindhorn Co., a joint venture between the Thai hotel group Dusit Thani Public Co. and Siam Sinhorn Co.

German Tax Revolt in Luxembourg

Depositors Moving Their Funds to Duchy's Banks

By Nathaniel C. Nash

New York Times Service

LUXEMBOURG — This tiny country has become a royal thorn in the side to the German government.

Since 1993, when the Finance Ministry in Bonn imposed a 30 percent withholding tax on interest income for residents, Germans by the thousands have used Luxembourg to carry out a quiet but powerful tax revolt.

Carrying suitcases and plastic bags of cash, they have deposited \$150 billion in Luxembourg bank accounts, placing it beyond the reach of German tax authorities and behind the screen of Luxembourg's rigid bank secrecy laws. Over the last two years, German officials estimate they have lost \$15 billion in tax revenue.

So much money has flooded to Luxembourg that the country, with a population of 390,000, has become the world's seventh-largest banking center, in terms of assets under management, and the fourth-largest center for mutual funds.

Switzerland remains the largest private banking center because of its long history of enforcing bank secrecy laws, which make investments almost impossible to trace.

"Historically, many Germans obviously did not report their interest income to the tax office, and for a long time nobody in the government really cared, for that matter," said Klaus Tjaden, managing director of Commerzbank's offices in Luxembourg.

After the German high court supported fair taxation of interest income, he said, the German government introduced a withholding tax that many Germans felt was not applicable abroad.

For nearly two years, Finance Minister Theo Waigel of Germany has been urging Luxembourg to plug this tax loophole, suggesting that the duchy impose a tax on nonresidents' interest pay-

ments as a way of encouraging Germans to move their money back home.

Mr. Waigel has proposed to the Council of European Finance Ministers that member governments require banks to tell government tax offices about interest payments to individuals — much as banks in the United States do — and give European tax collectors authority to share information.

It is a proposal that bankers in Luxembourg feel will not get far because Britain opposes it and because most European countries have a tradition of keeping

of East and West Germany. West Germans have paid more than \$400 billion in extra taxes to rebuild the Eastern part of the country and provide a social safety net for their less affluent brethren.

The tax burden is due to rise further next year to continue paying for national unification, which some economists estimate will have cost Germans close to \$800 billion by the year 2000.

But the tension with Luxembourg goes beyond taxes. It underlines what many here see as the arrogance of Germany toward its smaller neighbors on economic matters. Bankers in both countries say Mr. Waigel's proposals to withhold money and to report it to local government officials are flawed.

"For a decade, our position was not to enter any debate on taxes," said Jean-Claude Juncker, Luxembourg's minister of finance, budget and labor. "But I made the decision to enter this debate because we have a strong argument."

If Luxembourg replicates, he reasons, and even if all European Union countries adopt similar laws requiring banks to report to local tax authorities the interest paid to clients, Germans would move their money to countries such as Switzerland and Monaco, which do not belong to the European Union, or to territories exempt from its rules, such as Britain's Channel Islands or Gibraltar.

But Germany is making clear to its banks, many of which have subsidiaries here and admit to having received deposits from German nationals, that it is prepared to take strong measures to stop tax evasion.

In December, German tax authorities raided the Düsseldorf offices of Dresdner Bank, Germany's second-largest financial institution, taking away boxes of files and accusing Dresdner of setting up a plan to help Germans evade taxes.

The tax revolt shows how many Germans are looking for new ways to avoid paying more.

identities of bank clients secret, especially from other governments.

Mr. Waigel has proposed that banks and other custody institutions throughout the European Union withhold 30 percent on all interest payments.

Families with interest income of less than \$8,000 a year are exempt from withholding taxes. But because Germans are big savers and many earn above the minimum, and because many feared Bonn would lower the \$8,000 level, wealthy, middle-class and working-class depositors have moved their money out.

Luxembourg had the tailor-made investment vehicle for them, in money-market mutual funds denominated in Deutsche marks.

The German tax revolt shows how many Germans are looking for ways to avoid paying more. Families with incomes of \$100,000 now pay more than 50 percent in taxes.

In the five years since the unification

Lira Tumbles Further as Political Tensions Rise

Compiled by Our Staff From Dispatches

MILAN — The lira fell to a record low against the Deutsche mark Friday as Italy's political tensions continued to take their toll on investors' nerves.

The mark rose as high as 1,038.57 lire from its previous record of 1,037.40 lire Tuesday; in late trading it stood at 1,038.00 lire.

Prime Minister Silvio Berlusconi faces an investigation into

corruption and is battling to hold together his coalition. He has refused to step down, but his meeting Friday with President Oscar Luigi Scalfaro made Italian markets nervous.

A renewal of international confidence in the lira appears to depend on passage of the 1995 budget by both chambers of Parliament by Dec. 31. The budget aims to cut 48 trillion lire (\$30 billion) from the public-sector deficit, holding the

deficit down to 138.6 trillion lire.

The package includes unpopular spending cuts to be achieved through pension reform, measures that have put the government on a collision course with unions and triggered general strikes. On Thursday night, however, the government signaled a willingness to compromise by bowing to one of the unions' key demands and removing the pension reform from the budget.

The government would introduce the reforms in a separate bill; in return, unions would agree to a freeze on retirement benefits for 1995. Unions and government are expected to meet again Wednesday, two days before a planned general strike, to seek a final agreement.

"Even if it means a compromise, the market wants to see the budget passed," a share dealer said.

(Reuters, AFX, AFP)

Investor's Europe

Frankfurt DAX	London FTSE 100 Index	Paris CAC 40
2200	3300	2200
2000	3100	2100
1800	2900	1900
1600	2700	1700
1400	2500	1500
1200	2300	1300
1000	2100	1100
800	1900	900
600	1700	700
400	1500	500
200	1300	300
0	1100	100

Exchange	Index	Friday Close	Prev. Close	% Change
Amsterdam AEX	1,186.45	1,186.45	1,186.45	-0.09
Bremen Stock Index	2,051.52	2,051.52	2,051.52	-0.21
Frankfurt DAX	773.13	773.13	773.13	-0.28
Frankfurt FAZ	1,055.15	1,055.15	1,055.15	-0.49
Helsinki HEX	2,222.40	2,222.40	2,222.40	-0.45
London Financial Times 30	3,055.50	3,055.50	3,055.50	-0.10
London FTSE 100	3,055.50	3,055.50	3,055.50	-0.10
Madrid General Index	3,015.05	3,015.05	3,015.05	-0.19
Milan NIEL	2,222.40	2,222.40	2,222.40	-0.58
Paris CAC 40	1,186.45	1,186.45	1,186.45	-0.09
Stockholm Allshare Index	1,913.71	1,913.71	1,913.71	-0.50
Vienna Stock Index	N.A.	N.A.	N.A.	N.A.
Zurich SBS	412.76	412.76	412.76	+0.21

Very briefly:

- West German retail prices rose 0.1 percent in November from October and 2.6 percent from November 1993, based on provisional data from the Federal Statistics Office.
- Swiss Reinsurance Co. expects its 1994 profit to be "markedly improved" from the 325 million Swiss francs (\$246 million) it earned in 1993, despite having to face claims from the Estonia ferry disaster.
- The European Commission has cleared Kohlberg, Kravis, Roberts & Co.'s acquisition of Borden Inc. Although both are U.S. companies, the commission evaluates all major corporate deals that affect the European market.
- Crédit Lyonnais has been selected to study the possible privatization of Société d'Exploitation Industrielle des Tabacs & des Allumettes, or SETTA, the state-owned tobacco monopoly.
- Banca Popolare di Verona SpA, the controlling syndicate of Banco Ambrosiano Veneto SpA, will buy the 13.52 percent of Ambrosiano held by four Venetian banks between 1994 and 1995.
- The Czech Republic's coupon privatization program, through which individual residents were able to buy stakes in previously state-owned companies, ended Friday.
- Peugeot SA's chairman, Jacques Calvet, said he expected the car market in France and Germany to expand 2 percent in 1995, with car demand expanding 5 percent in Italy and 4.5 percent to 5 percent in Britain.
- North West Water Group PLC's first-half pretax profit slipped 1 percent, to £136.8 million (\$214 million), as a one-time charge of £13.5 million offset a 7 percent increase in sales.
- Creditanstalt-Bankverein, the second-largest bank in Austria, should be privatized early next year, according to EA-Generali Versicherung, the insurance company heading an international consortium bidding for a stake in the bank.
- Skanska AB's pretax profit surged 83 percent in the first nine months of the year, to 2.73 billion kronor (\$371 million), but operating profit fell to 1.87 billion kronor from 1.95 billion kronor.

Ex-Banesto Chief Assailed

MADRID — A parliamentary committee looking into last year's collapse of Banco Español de Crédito SA has concluded its findings with an accusation of the bank's former chairman, Mario Conde, and his closest colleagues.

The report, which will be sent to the prosecutor-general along with evidence, accuses the officials of concealing the truth about the bank's finances from shareholders and identifies 13 operations in which there irregular dealings are suspected.

The committee's findings, released late Thursday, followed an investigation into how Banesto ran up a deficit of 605 billion pesetas (\$5 billion). On Nov. 15, Spain's highest prosecuting authority charged Mr. Conde and nine former Banesto executives with fraudulent management of the bank.

NYSE

Friday's Closing
Tables include the nationwide prices up to the closing on Wall Street and do not reflect into trades elsewhere. Via The Associated Press

(Continued)

12 Month High	Low	Stock	Div	Yld	PE	100	High	Low	Lowest Offer
110.00	108.00	IBM	3.20	2.8	15.0	100	110.00	108.00	108.00
100.00	98.00	Microsoft	0.00	0.0	10.0	100	100.00	98.00	98.00
90.00	88.00	Apple	0.00	0.0	10.0	100	90.00	88.00	88.00
80.00	78.00	Oracle	0.00	0.0	10.0	100	80.00	78.00	78.00
70.00	68.00	Sun	0.00	0.0	10.0	100	70.00	68.00	68.00
60.00	58.00	Novell	0.00	0.0	10.0	100	60.00	58.00	58.00
50.00	48.00	Lotus	0.00	0.0	10.0	100	50.00	48.00	48.00
40.00	38.00	Intuit	0.00	0.0	10.0	100	40.00	38.00	38.00
30.00	28.00	Adobe	0.00	0.0	10.0	100	30.00	28.00	28.00
20.00	18.00	Corel	0.00	0.0	10.0	100	20.00	18.00	18.00

12 Month High	Low	Stock	Div	Yld	PE	100	High	Low	Lowest Offer
110.00	108.00	IBM	3.20	2.8	15.0	100	110.00	108.00	108.00
100.00	98.00	Microsoft	0.00	0.0	10.0	100	100.00	98.00	98.00
90.00	88.00	Apple	0.00	0.0	10.0	100	90.00	88.00	88.00
80.00	78.00	Oracle	0.00	0.0	10.0	100	80.00	78.00	78.00
70.00	68.00	Sun	0.00	0.0	10.0	100	70.00	68.00	68.00
60.00	58.00	Novell	0.00	0.0	10.0	100	60.00	58.00	58.00
50.00	48.00	Lotus	0.00	0.0	10.0	100	50.00	48.00	48.00
40.00	38.00	Intuit	0.00	0.0	10.0	100	40.00	38.00	38.00
30.00	28.00	Adobe	0.00	0.0	10.0	100	30.00	28.00	28.00
20.00	18.00	Corel	0.00	0.0	10.0	100	20.00	18.00	18.00

WATER: Jakarta Faces Shortage

Continued from Page 9

than 180 million. The number of people in Jakarta is expected to climb to 12 million by 2005, from 8.5 million today.

Concerned with widespread wastage of water, President Suharto launched a national water-saving campaign last month aimed at preventing "severe, long-term water shortages."

Mr. Sarwono, the environment minister, said a National Water Agency should be formed to coordinate water-related activities by the government that are now the responsibility of three ministries.

He said the introduction of stricter pollution controls and industrial zoning regulations in the past two years had shown "some results" but that much more needed to be done.

He also said he was worried that "only a crisis will bring us around."

Jakarta's municipal water company concedes that it can supply only about 59 percent of the city's daily demand of 1.7 million cubic meters. Users often complain of pollution.

The company's waterpipe network, which leaks badly, reaches only 44 percent of Jakarta's residents. Many of those who get no water are the urban poor. They have to buy from vendors who charge much more than the cost of piped water.

In an effort to improve the situation, the government recently announced that it was opening major urban water supply projects.

Radinal Moochtar, public works minister, said that of the \$7.8 billion of water supply investment needed in Indonesia over the next five years, more than 70 percent was expected to come from the private sector, both local and foreign.

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INTERNATIONAL HERALD TRIBUNE, SATURDAY-SUNDAY, NOVEMBER 26-27, 1994

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FIRST COLUMN

**Investing
To Forget**

STOCKS for widows and orphans are supposed to have certain well-known characteristics. The corporation should be long-established and engaged, more or less, in a recession-proof business.

The stock should be quoted on a liquid market, to facilitate instant sale. And given that any stock is a risky investment, a stock for a widow or an orphan is supposed to run against the grain. It is supposed to be safe.

So forget emerging Europe as a repository for the cash of the W&O fund. However, the currency crises, the volatility of the markets and the other factors that speak against buying for the W&O fund can act as an incentive if you want to provide an investment for, say, a grandchild.

How so? Because what economists like to call the "fundamentals" of much of emerging Europe are good. It's just a question of waiting for the currencies to stabilize and for the markets to become less volatile. The best way to do that is to forget about it for 20 years and sell the fund when the grandchild comes of age.

M.B.

Are 'Emerging Europe' Debt Markets Just for Adventurous Investors?

By Judith Rebek

BULGARIAN Brady bonds, Polish Eurobonds, debt issued in Czech koruny by the Czech Republic's phone company. If you're wondering who would want to buy debt instruments like this, the answer is a small, but growing crowd of professional investors—including mutual fund managers.

The case for buying debt in Central Europe's emerging markets, whether it is of the government or corporate type, is akin to the argument for buying U.S. "junk" bonds: high yields, deeply discounted prices, or both, to compensate for uncertainty and risk.

The homework, warn the investors who deal in these markets, is complicated because the markets often have no benchmarks or liquidity. Inflation may be high, and monetary policies and politics uncertain. A vital part of the investment mentality is a conviction that the economies of these markets will improve, tempered with a keen instinct for when to get in and when to get out.

Bulgaria, for example, would hardly seem a candidate for a fund portfolio. Its economy has suffered from close links with the former Soviet Union. Inflation is running at 68 percent, privatization programs have been delayed, and economic growth this year will be zero, at best, according to a research report from New York's Chemical Bank.

Yet, "Bulgaria is interesting," says Lincoln Rathnam, manager of the Scudder Emerging Markets Income fund. "Industrial exports to Russia have picked up by about 50 percent, although from a very low point," he said. "There's no government at the moment and bureaucrats are running the country, but there is good management at the Central Bank, and good relations with the International Monetary Fund."

Mr. Rathnam is one of a number of money managers who bought dollar-denominated Bulgarian Brady bonds when they were issued last July. Brady bonds, a key element in a country's return to creditworthiness, are commercial bank debt that has been restructured to give countries more manageable payment terms. They are named for former U.S. Secretary of the Treasury Nicholas Brady, who conceived the idea.

By contrast, Hungary, which might have seemed a better bet, looks less tempting to some Central European market players these days. The country's budget deficit is growing, and disputes have erupted between the Central Bank and the Treasury as to how it should be financed.

Helena Hessel of Standard & Poor's international rating group noted that S&P downgraded Hungary's sovereign rating from a BB "positive" to a BB "stable" last April.

Sovereign ratings assess the creditworthiness of a government and its ability to repay its debt in a timely fashion.

Emerging Europe

Page 15
Russia's crisis of confidence
Slim pickings in Eastern Germany

Page 17
The Czech market pursues maturity
Pan-European Europe funds
Poland's plunge

But two of the brightest spots in Central Europe, in the opinion of some emerging-market experts, are Poland and the Czech Republic. Although inflation in Poland is still around 30 percent, it has been coming down steadily.

"The economy is growing at about 4.5 percent, and even though there is some political uncertainty, the attitude at the Central Bank and Treasury has been conservative," said Kris Bledowski, Economic Adviser for the Warsaw-based Pioneer First Polish Trust Fund.

The investment of choice for many foreign bond investors are Polish Brady bonds. And the next step in Poland's improving economic picture is the expectation that it will receive a sovereign rating in the next six months.

"That's the missing link," said Mr. Bledowski, who estimates that this stamp of approval will probably boost the price of the country's Brady bonds from about 45 cents to 60 cents on the dollar. A sovereign rating would also have a positive effect on the Polish government's launch of its first issue of dollar-denominated Eurobonds in 1995, he added.

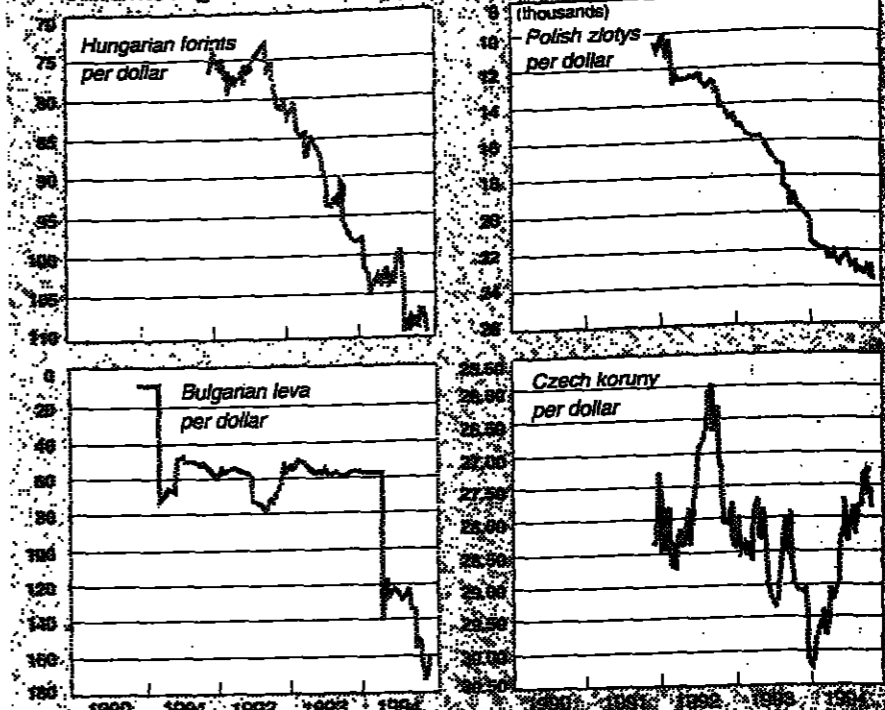
Another recent development in Poland is the nascent commercial paper market in zlotys. Rather than borrow from banks at annual interest rates of about 35 percent, the Polish subsidiaries of household names like Pepsi-Cola and Unilever successfully issued commercial paper, backed by their parent companies, at rates between 26 and 27 percent.

So far, investors have been locals, said Mr. Bledowski, but he expects the market to grow. "Foreign investment banks are now jockeying to issue commercial paper," he said. "We hope to have it like the Czech Republic, where the major companies are now issuing."

It's no surprise that Poland is looking to the Czech Republic, which is leading the way for the rest of Central Europe. With no external debt, inflation at 10 percent and falling, and a fiscally responsible government, it has the highest sovereign rating, BBB+, of all the former Eastern bloc countries, notes Peter Kysel, a director at

Finding Their Level

Currencies against the dollar (inverse scales)



Source: Datastream

John Govett, the London emerging-markets specialist.

This coming week, CEZ, the Czech electric utility, will launch a \$150 million Eurobond on the international markets, the first corporation from the former Eastern bloc to do so.

But with no Brady bonds, and only a small market in Eurobonds, Mr. Kysel thinks foreign investors will increasingly find Czech corporate bonds, issued in Czech koruny, worthwhile.

"They're from large companies and banks, and while the quality is not as high as government bonds, it's still good," he said. "The interest rates are 11 to 12 percent, compared with 9.5 to 10 percent for government bonds."

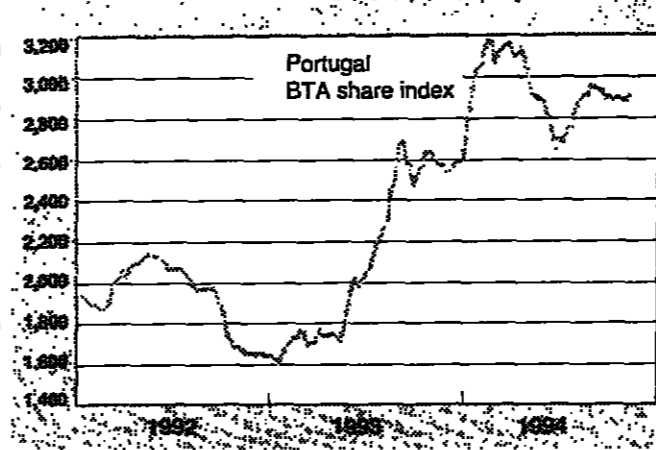
"I found it surprising that foreigners who bought the Czech economic story purchased equities, and are now sitting on large losses," Mr. Kysel commented, referring to the fall of Prague's stock market. The HN-Wood 30 index of prime companies on the Prague Stock Exchange has lost about 60 percent since February. "They could have bought bonds in local currency yielding 12 percent, plus they would have

received an 8 percent gain on price. They bought the wrong instruments."

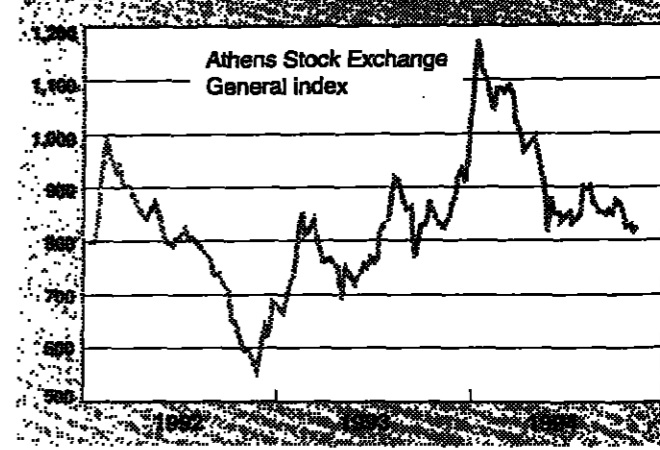
Nevertheless, local bond markets are not without their caveats. The domestic market in the Czech Republic is tiny, only \$1.7 billion, compared with \$12 billion in the equity market, and the secondary market, where bonds are bought and sold is very limited. "You must buy and hold your bonds," cautioned Mr. Kysel.

Clearly, the only way for individual investors to take a stake in these markets is through a diversified emerging markets income fund, with the added warning that the ride can be a bumpy one. Three vehicles directed to U.S. investors that are beginning to buy some form of Central European debt are the Scudder Emerging Markets Income fund, the GT Global High-Income Fund, and Fidelity's New Markets Income Fund.

The London-listed Central European Growth Fund, an investment trust, has a 14.2 percent position in fixed income from the Czech Republic, while the offshore arena offers Scudder's Sovereign High-Yield fund.



Source: Datastream



Source: Datastream

Analysts More Bullish on Portugal Than Greece

By Christine Stopp

PORTUGAL and Greece are both emerging from traumatic times of recession and high inflation. Recovery in the banking sector, since it forms such a large part of the market, would be an overall boost.

Both Mr. Kiddie and Miss Giori like the retail sector, which is underdeveloped, and where there are companies which, according to Miss Giori, "know the market and have the financing to benefit from growing sophistication in consumer tastes." She cited Modelo SA and Geronimo Martins as attractive retail stocks.

Jim Notis of Foreign & Colonial Emerging Markets in London said there has been great investor interest over the last month in large-cap Portuguese stocks such as pulp and paper company Soporcel SA. Also sought-after have been Sonae Investimentos, a holding company that controls a conglomerate combining paper and retail interests, and cork producer Amorim.

By contrast, said Mr. Notis, the Greek market is "stagnant," plagued by nervous investors and a government that "lacks credibility." The mutual fund industry in Greece is undergoing a period of uncertainty, he said, due to the threat of a new tax on dividends.

A large deficit and high interest rates do not represent a good environment for fi-

nancial assets and corporate profits, said Miss Giori, but selected companies are doing well. She said some companies have expanded northward to test other markets in the Balkan region.

An example, she said, was Hellenic Bottling, holder of the Coca-Cola franchise in Greece, which has moved into Romania and is also expected to move into Bulgaria. The Bulgarian experiment is already profitable after only two or three years in operation, she said.

The company is also doing well at home, stimulated by tourist-industry sales. Mr. Notis described Hellenic Bottling as "one of the best-managed companies in the country, if not in Europe."

Both Portugal and Greece suffer from a restricted selection of stocks and poor liquidity. The overall advice from most analysts is that investors should be highly selective in choosing equities.

There are also a few funds investing in Greece and Portugal. Dorian Asset Management's Dorian Equity Fund and Schroder's Greece Fund Ltd. target Greece, as does the closed-end Greek Progress Fund, run by Ergobank and Baring Asset Management.

In Portugal, the opportunities include the Oporto Growth fund, run by Lehman Brothers Global Asset Management. The Portugal Fund, managed by BEA Associates, and Morgan Stanley's Portuguese Investment Fund.

While Portuguese equities are not heavily researched, the market should offer opportunities now that fears about its stability are lessening, Mr. Kiddie added. Recovery in the banking sector, since it forms such a large part of the market, would be an overall boost.

Both Mr. Kiddie and Miss Giori like the retail sector, which is underdeveloped, and where there are companies which, according to Miss Giori, "know the market and have the financing to benefit from growing sophistication in consumer tastes." She cited Modelo SA and Geronimo Martins as attractive retail stocks.

Jim Notis of Foreign & Colonial Emerging Markets in London said there has been great investor interest over the last month in large-cap Portuguese stocks such as pulp and paper company Soporcel SA. Also sought-after have been Sonae Investimentos, a holding company that controls a conglomerate combining paper and retail interests, and cork producer Amorim.

By contrast, said Mr. Notis, the Greek market is "stagnant," plagued by nervous investors and a government that "lacks credibility." The mutual fund industry in Greece is undergoing a period of uncertainty, he said, due to the threat of a new tax on dividends.

A large deficit and high interest rates do not represent a good environment for fi-

nancial assets and corporate profits, said Miss Giori, but selected companies are doing well. She said some companies have expanded northward to test other markets in the Balkan region.

An example, she said, was Hellenic Bottling, holder of the Coca-Cola franchise in Greece, which has moved into Romania and is also expected to move into Bulgaria. The Bulgarian experiment is already profitable after only two or three years in operation, she said.

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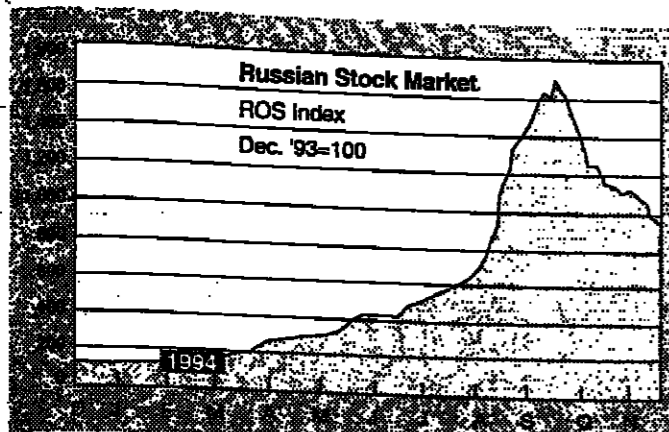


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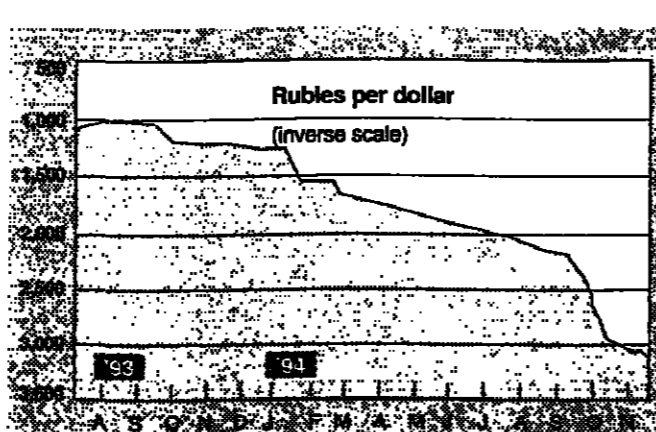


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THE MONEY REPORT



Source: Bloomberg



Source: Bloomberg

Fallout From Ruble's Plunge Is Hurting Confidence in Nascent Russian Market

By Iain Jenkins and Philip Crawford

RUSSIA and the former Soviet republics appear to offer huge potential profits for investors. Natural resources are in abundance. Much of the population is well-educated. Labor costs are low.

The catch is that there are huge risks. Reforms have been threatened by political unrest, financial scandals, a devaluing ruble, deteriorating infrastructure, and the looming shadow of the Russian mafia.

Painful blows to market reforms, moreover, have been inflicted by the crash of the ruble on Tuesday, October 11, and the political fallout that has followed it. In trading on the Moscow Interbank Currency Exchange on "Black Tuesday" — as the day has come to be known in the Russian capital — the ruble fell to 3,926 to the U.S. dollar from 3,081 at the close the day before, a 21.5 percent decline. After six weeks of being buffeted about, the ruble is now trading at about 3,190 to the dollar.

Immediately after the crisis, Russian President Boris N. Yeltsin fired his acting finance minister, Sergei Dubinin — who had been widely perceived as pro-reform and not culpable for the ruble's fall — and replaced him with Vladimir Pavlov, a budget advisor. That move prompted the resignation of economics minister Alexander N. Shokhin.

The upshot of the disarray, say analysts, has been increased caution on the part of Western investors to enter the fray, regardless of how tempting the market's potential can be. Meanwhile, on November 8, Mr. Yeltsin signed a decree that increased state control over securities trading, a move analysts viewed as an attempt to restore the confidence of both global and domestic investors. Many of the latter were burned badly by the MMM fund scandal earlier this year.

Russian stocks seem to have sensed the confusion. The ROS index of Russian equities, compiled by the investment bank CS First Boston, has fallen from a peak of 1,706 on September 15 to around 940 this week. When the market might stabilize is anybody's guess, say analysts.

But it is precisely this uncertainty, assert some analysts, that creates opportunities for the adventurous investor. And the vehicles are there.

A number of funds targeting investment opportunities in the Commonwealth of Independent States, or CIS, as the former Soviet Union is now known, have been launched. A few Russian companies, moreover, have succeeded in getting listings on the Toronto, Sydney and Dublin stock markets. But is now the time to invest?

Richard Sobel, a director at Baring Asset Management in London, which has just launched a new CIS fund aimed at institutional investors, says: "The risks are still high. It is a difficult market to operate in. But the risks have come down and the potential returns are enormous."

Jura Ostrowsky, head of Russian investments at the Geneva-based private bank Pictet & Co. said that Russia's oil-rich regions could mature into wealthy states. "Russia could take off," he said. "Kazakhstan and Uzbekistan could be as rich as Saudi Arabia and Kuwait."

Mr. Ostrowsky said that investors — be they funds, corporations or high-net-worth individuals — have a unique opportunity to buy Russian assets at very cheap levels.

But buying assets in the CIS can be difficult, say fund managers who report sometimes having to catch a plane to Siberia in order to register their shares at the company headquarters to be sure of ownership.

Tom Adshedd, an analyst of Russian equities at CS First Boston in London says: "Custody and settlement issues are

the major brakes on the market. Once it has been reorganized, there will be more liquidity as foreign buyers come back and push prices up again. These days, the foreign investors have almost vanished."

Earlier this year, the lack of liquidity helped drive the market skyward. The ROS index began the year all the way back at 116 before stampeding to its 1,706 high in September. But the foreign buyers dried up and the Russian securities firms that had bought stock to sell to them were left with no buyers. The market plunged.

Not everyone, of course, is convinced that the CIS is on the road to prosperity. There are still fears that democracy will be overthrown and that anarchy will reign. Richard Watts, head of emerging markets at Gartmore Fund Managers in London, says: "Assets are certainly cheap. The question is whether or not they will ever get more expensive. It isn't a foregone conclusion."

But those bullish on Russia say that growing pains, even severe ones, will not derail the overall process of economic liberalization. "The hardliners might get back in and there might be a dictatorship," said Mr. Ostrowsky. "But you can't close the country now that it has started to open up. The process of transformation is fast and cannot be turned back now."

For those tempted by the optimistic view, several well-known fund companies — including Century in the United States, Flenings and the Framlington Group in Britain, and Regent Fund Management in Hong Kong — run vehicles targeted at the CIS.

Otherwise, the choice is to invest in CIS companies quoted in the West. However, some of these have had a roller coaster ride this year. Bitech, a biotechnology company listed in Canada, and Parmelia Resources, a mining company listed in Australia, have had rough years. Bula Resources, an oil company quoted in Dublin, has been among the success stories.

Eastern Germany Offers Few Pure Plays

By Baie Netzer

WHEN shares in the dairy company Sachsenmilch AG appeared on the Berlin Stock Exchange early in 1992, headlines trumpeted the first public offering from the Eastern part of the newly unified Germany. The euphoria among investors, however, was short-lived.

Less than two years after they began trading, Sachsenmilch's shares had fallen 62 percent, and Deutsche Bank, which had taken the company to market, was preparing to pay more than \$20 million to buy the shares back from disappointed investors.

Today, there is only one other East German company, the Berlin-listed airline concern Berliner Spezialflug AG, quoted on any of Germany's eight stock exchanges. For investors, that means that Eastern Germany presents its own peculiar attractions and difficulties.

On one hand, the fusion of Eastern and Western Germany brought about massive transfer payments that have helped fuel the estimated 9 percent annual rate of economic growth in the East. But instead of new, independent businesses emerging in the East, the presence of cash-rich companies in Western Germany has led to a massive buying spree that was most intense just after unification. Large conglomerates were the first to aggressively buy up Eastern assets, leaving little room for the hatching of small companies.

"What might have been an attractive, small-cap start-up is now division number 5,678 in a huge West German company," said John Abbink, a fund manager at Deutsche Bank Securities in New York. "And it's generally lost in the footnotes of the company's annual report. Everything but the rubbish has been bought up."

Mr. Abbink manages three closed-end funds that are listed on the New York Stock Exchange — The Germany Fund, The New Germany Fund, and The Future Germany Fund — which have some expo-

sure, albeit minimal, to companies in the East.

Another fund opportunity is the East German Investment Trust PLC, run by the London-based corporate financial advisory firm Ermassen & Co. Walter Zinsler, the fund's manager, said that the fund is engaged only in direct investment and currently owns stakes in 20 East German companies, none of which are publicly-traded. Shares in the East German Investment Trust are traded on the London Stock Exchange.

Some analysts say that investors seeking to profit from growth in Eastern Germany should look for West German companies that have substantial operations in the East. While this strategy generally offers the advantage of leading to more established and credit-worthy companies, the disadvantage is that East German profits will be only one of several factors that influence the company's stock price.

Currently, much of the growth in Eastern Germany stems from housing construction. But since many builders are not publicly traded, Mr. Abbink says he has sought out shares in construction-material suppliers. His funds now hold shares in insulation-manufacturer Sto AG and he recently took profits on shares in Weru AG, a maker of reinforced windows.

"Anyone familiar with the climate in Eastern Germany can understand that there is a great need for those companies' products," he said. Since selling his Weru shares, Mr. Abbink has invested in VBH Verein Baubesch Handel, which manufactures some of the parts used in Weru windows.

At the New York-based fund company Scudder, Stevens & Clark, research vice president Douglas Loeffler says that competition among construction companies in the East is so stiff that it's difficult to judge which companies seem poised for profits. He added, however, that modular home builder Kampa-Haus AG has performed well.

"Because there are tax incentives for construction in the East, there's a danger

of overbuilding, particularly in the big, out-of-town shopping malls," Mr. Loeffler warned. "It's just not clear that the retail demand will be there."

INDEED, although East German consumers brought a tremendous boom to many West German retailers immediately following unification, unemployment in the East currently lies at 14 percent and demand for many luxury goods has tapered off. As a result, analysts say that the best-positioned retail firms are those that offer discount or bargain goods to consumers.

One example is discount supermarket chain Spar Handels AG, which bought many of the state-run shops in East Germany in 1991 and now offers products priced to the East German consumer's budget. In addition, the West German chemical conglomerate Henkel pursued a smart strategy in tackling the Eastern market, Mr. Loeffler said.

"Henkel went in after the Wall fell and sold their detergent to all the East Germans who wanted to sample the premium western goods," he said. "But they also purchased the old East German brand and reformulated and repackaged it. That way they were still able to make money when East Germans eventually got tired of paying a premium on the Western names."

Experts warn, however, that many retailers who brought their wares East must now reckon with significant expansion costs. "A lot of companies went East after the Berlin Wall fell and they sold from tents and vans," said Mr. Abbink. "Now, they're in the business of investing in facilities and they've got higher costs to deal with."

Analyst David Antonicelli at the fund company MFS International in Lausanne, recommends Hornbach Baumarkt AG, an operator of six do-it-yourself home and garden centers in Eastern Germany. While the company is currently investing heavily in a large-scale expansion of its selling space, Mr. Antonicelli expects the company to achieve 20 percent annual earnings growth once those costs are absorbed in a year or two.

BRIEF CASE

A Huge New Marketplace For Europay International

The world of plastic grew a little larger this week with Europay International's announcement of its deal with the Bank of China and the People's Construction Bank of China. Both banks will acquire Europay debit transactions and will issue cards with the Maestro and Cirrus logos to an estimated 6 million Chinese consumers by the end of March 1995.

The banks will initially focus on developing Maestro acceptance at merchant locations in key cities, and will begin issuing the cards in January.

In Guernsey and Jersey, Business Is Still Healthy

Guernsey, the offshore financial center in the English Channel, attracted 10 new mutual funds in the quarter ended September 30. Assets held in the more than 300 funds under management fell by less than 0.5 percent to £11.9 billion (\$18.8 billion).

Jersey, Guernsey's main offshore rival in the Channel Islands, recorded a rise of 5 percent in bank deposits during the same period. Jersey is home to more than £22.2 billion in deposits.

CFOs Not Keeping Tabs On Expatriate Assignments

International executive assignments tend not to favor cost containment, according to the Wisconsin-based relocation consultancy Runzheimer International. Only 2 percent of U.S. expatriate assignments are overseen by financial officers, it says.

In next week's Money Report: A look at speculative investing.

The Money Report is edited by Martin Baker



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THE MONEY REPORT

As Privatization Phase Ends, Prague Market Is Maturing

By Philip Crawford

WITH the massive project of privatizing all sectors of its formerly state-controlled economy nearing completion, the Czech Republic appears poised to enter the final phase of its rapid transition to a free-market system: gradual integration into the global investment mainstream.

Many hurdles seem sure to inhibit the process. The Czech infrastructure, for one, lags far behind those of major, developed markets. Settlement procedures, while vastly improved over a year ago, can still be dicey. Perhaps most important, the Czech koruna remains non-convertible. And a recent bribery scandal involving a top privatization official hasn't helped global investors' confidence in the market.

But many analysts of Central Europe maintain that reasons to invest in the Czech Republic are plentiful, particularly when viewed over a long-term horizon. Domestic output is rising while inflation is falling. Direct foreign investment, an estimated \$2.7 billion of which has flowed into the country since 1990, continues at a lively pace. President Vaclav Havel's government remains committed to economic liberalization.

"We're definitely bullish on the Czech Republic over a five- to 10-year period," said Richard Wood of Wood & Co., a major equity brokerage in Prague that serves mainly institutional clients.

There are basically two ways for foreign individual investors to gain exposure to the Czech market. One is by purchasing single equities that are listed on the Prague Stock Exchange, or PSE. Most major international brokers can now handle such transactions.

The other is by buying into offshore funds that target the Czech Republic or the Central European region. But before doing either, analysts advise, investors should take the time to familiarize themselves with the Prague exchange.

While roughly 1,000 equities are listed on the PSE, about 75 percent of the trading is in the top 30 stocks. Among the largest, by market capitalization, are electric utility CEZ, banking concerns Komerční Banka and Česka Spořitelna, chocolate maker Cokoládovny Praha and tobacco company Tabak.

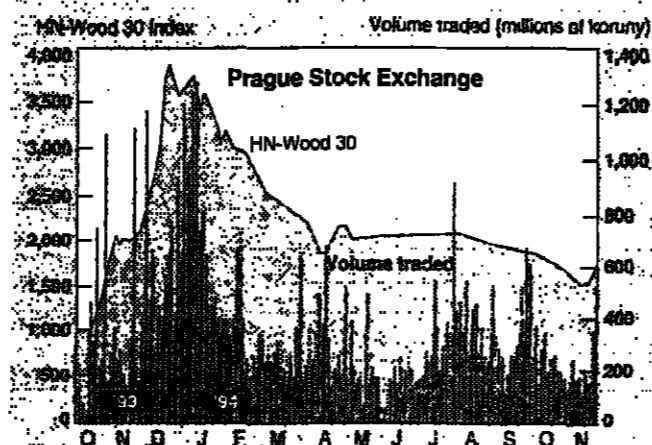
CEZ has the distinction of being the only Czech company accessible through a global depositary receipt, which was brought to the market by the U.K. investment bank Morgan Grenfell last March.

The market cap of the PSE, which began trading in June 1993, is now at about \$12 billion, but that will rise considerably when the second wave of about 800 privatized companies comes to the market early next year.

Performance-wise, the market has had something of a roller-coaster ride. The HN-Wood 30 index of the largest PSE companies, launched by Wood & Co. in September 1993 with a base of 1,000 points, shot up dramatically in its first five months, gaining 280 percent. It hit a high of 3,805 on February 1, 1994.

The bubble soon burst, however, with the index plummeting to under 2,000 in June, then trading near until dipping to its 1994 nadir of 1,530 earlier this month.

Charles Harmon, London-based managing director of the investment bank CS First Boston, and a specialist on Central Europe, said that the market's recent decline makes the present a good time to buy.



Source: Wood Company Securities

"It's been tough to pick winners lately because there simply haven't been many," he said.

"But you have to remember that, in January, the market was trading at 22 times 1993 earnings. Now, with stock prices down and corporate earnings up, it's trading at 15 times 1994 earnings and 12 times estimated 1995 earnings. To buy in at 12 times '95 earnings seems pretty reasonable."

CS First Boston's \$210 million Central European Growth Fund, a closed-end investment trust listed on the London Stock Exchange, invests in Czech, Polish and Hungarian equities, but is most heavily weighted in the Czech Republic, Mr. Harmon said. He added that the fund was "very much a retail vehicle."

Another well-known fund that targets the Czech Republic is Robert Fleming & Co.'s Czech & Slovak Investment Corp., which is domiciled in the Cayman Islands. Prime holdings in the portfolio include Česka Spořitelna, Cokoládovny, lock-mechanism manufacturer FAB and tar-maker Deza.

Tom Chadwick, who specializes in Central Europe for Smith New Court Europe, the London-based brokerage, said his firm currently had major "buy" recommendations on three Czech equities: IPS Praha, a construction company, Elektrárny Opatovice, a utility, and Vodní stavby Praha, also a construction concern. He said that while Smith New Court

had a favorable long-term view on the Czech Republic, it was cautious just now.

"Other than the construction and related sectors, we're not major buyers of the market," he said, adding that he felt more global retail investors were becoming interested in the Czech Republic. "A year ago, people thought the risk wasn't worth the reward," he said. "Now, because of the money that can be made, more people are willing to go down this route."

Michael Gold, an official of USAID, an American advisory group to the Ministry of Privatization in Prague, said that about three fifths of the Czech population had become shareholders through the country's voucher privatization program, and that the growing "shareholding culture" in the Czech Republic boded well for its gradual flow into the global investment mainstream.

"Being privatized doesn't necessarily mean getting new leadership," he said. "And a lot of these companies are going to be seeking out foreign strategic input and foreign investors."

'Pan-Emerging Europe' Funds Are Few

By Aline Sullivan

EMERGING European markets can move from being the darlings of the financial community to among the worst performers with bewildering speed. For this reason, private investors wishing to tap into these markets are often advised to spread their risks through investment funds.

Until recently, investors in emerging Europe have had relatively few funds to choose from. Only 1.5 percent of the investment capital flowing into global emerging markets in 1993 was directed toward Europe, according to Fund Research Ltd., the London-based analysis group.

But helped in part by surging interest among institutional investors, there are now about 20 funds open to private investors focusing on Europe's emerging markets, and many more are expected to join their ranks next year. More funds may mean more liquidity as well as more choice.

In essence, there are two emerging-Europe regions: the Mediterranean countries of Portugal, Greece and Turkey, and the formerly Communist countries of Central and Eastern Europe. Most funds focus on one of these two areas or on a single country.

The Baring Emerging Europe fund, managed by Baring Asset Management in London, bucks this trend by investing in most of Europe's developing markets. However, Nancy Curtin, manager of the \$100 million fund since its inception in Janu-

ary, expects the fund's focus to gradually shift to the East.

"We started the fund with about two thirds of assets invested in Portugal, Greece and Turkey," she said. "But that proportion has dropped substantially and will probably go lower. In a couple of years, the fund could well be dedicated just to Turkey and Eastern European investments."

The Invesco East Europe Development Fund invests in Russia and Kazakhstan as well as in Hungary, the Czech Republic, Poland, Romania and the Baltic Republics. Roy Bracher, who manages the \$97 million fund, said he is looking at investment opportunities throughout the former territories of the Soviet Union.

"The ex-Soviet countries constitute a much larger territory than emerging Europe," said Mr. Bracher. "We feel that the asset prices are very attractive for investors who get in early enough."

The Invesco fund, which has produced returns of about 40 percent per year since its inception in 1990, invests principally in high-growth, consumer-goods companies that generate most of their profits from domestic markets.

Stefan Bortcher, manager of the \$40 million FFF Fleming Eastern Europe fund, said the inception of the London-based fund this past July was driven largely by Fleming's clients.

"They were keen to invest in Central Europe, although the political risk and currency risks are higher than elsewhere," he said. "Many of the companies there are in real turnaround situations."

European Emerging-Market Funds

European emerging-market equity funds. Total percentage return in U.S. dollars over six months to Sept. 30, 1994.

Closed-end	Performance
Baring Emerging Europe (Baring)	-8.42
Central European Growth Fund (CS First Boston)	-5.59
Dorsy Funds (Delta Lloyd)	-30.59
East Europe Development Ltd. (INVESCO CEAM)	-3.15
East German Investment Company (H) (Ermagsson)	4.33
Prometheus Fund (Cresvale International Asset)	21.82
Closed-end	
BAI Mitaigontumfunds (Z-Invest/Bank of Austria)	-14.58
Bankinvest Aid. Europe (Bankinvest)	-6.66
Creditanstalt Central Europe (Lazard/Creditanstalt)	-33.17
Denubia-Invest (Sparinvest)	-22.70
East-Activ (Oesterreichische)	-22.09
East-Invest (Allgemeine Sp)	-21.81
Rabelais Emergence Sud (BBL France)	-11.11
Railfelsen Osteuropafonds Mkt (Railfelsen)	-12.14

Source: Micropal

Perhaps the newest entrant in this market is the Optima Opportunity Fund, set up in October and managed by Gerry Manolovic, a former director at Soros Fund Management. The \$25 million fund focuses on Russian and East European equities and will, according to Mr. Manolovic, offer outstanding investment opportunity to sophisticated investors willing to accept "significant" risk.

Indeed, the risk inherent in emerging European markets has been well illustrated by their performance to date. Shares in both the Mediterranean and Eastern European regions lagged until 1993, when two of the countries, Poland and Turkey, were among the world's top performing markets. Poland's bourse gained over 1,000 percent while Turkey's rose over 400 percent, both in local-currency terms.

These rapid price rises were fueled more by investors chasing a limited supply of companies than by fundamental factors, according to Peter Jeffreys, managing director of Fund Research. Markets in both countries continued to rise at the beginning of this year but then plummeted as investors reassessed valuations. Both the Polish and Turkish stock market indexes have slid considerably this year.

Investment remains difficult in many of the markets due to poor liquidity, settlement procedures and information flows, said Mr. Jeffreys. "But there is still tremendous potential in the region," he said. "The populations of the main countries in the emerging European universe is 45 percent of that in the European Union, while its GDP is less than 7 percent. Investors just have to be careful."

Warsaw Bourse Weathering Plunge

By Digby Lamer

INVESTORS who entered Poland's equity market at the beginning of 1993 probably wished that capitalism had arrived in the country sooner. In 1993, Warsaw had one of the world's best-performing stock markets.

As the year ended, the Polish bourse had gained over 1,000 percent in local currency terms and 875 percent when measured in U.S. dollars.

Apart from easily outperforming its East European rivals, the Warsaw stock index also did better than either the Latin American or Asian markets — two favored choices for emerging-market investors.

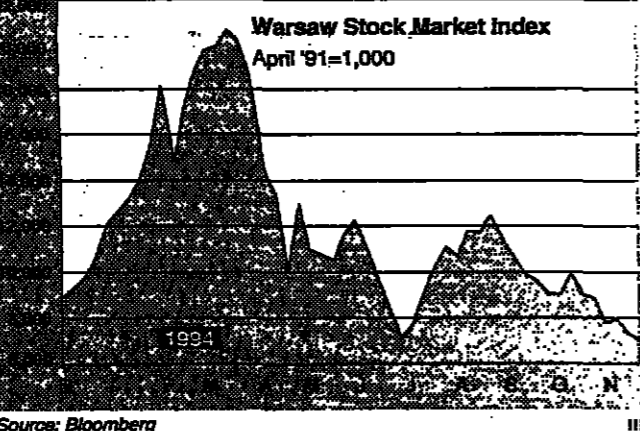
Those who benefited most from the bull run were the thousands of ordinary Polish citizens who had queued for hours to hand over their hard-earned Zlotys in exchange for shares at each new issue.

But like all bull markets, Poland's was bound to end. And in true emerging-market fashion, the fall was as dramatic as the rise.

Between March and June of this year, two bouts of panic selling brought Warsaw's WIG index from a peak of 20,000 basis points to less than 8,000. Since then, the market has picked up a little but remains fairly stable.

Many analysts agree on what lay behind the initial downturn. Scott Delman, a director at Foreign & Colonial Emerging Markets, the London-based fund company, said one reason was the decision by several institutions to move their money elsewhere once they felt the market had climbed as high as it could.

"Foreign institutions that had become involved in Poland last year, largely on a speculative basis, withdrew their capital hoping to get better returns farther East," he said.



Source: Bloomberg

The second major cause, Mr. Delman said, was a product of the first: As big investors took their profits and headed out, the resulting drop in share prices terrified the high number of inexperienced private shareholders, underpinning the market. Many small investors were said to have told their brokers to sell at any price and to have lost more than half their money.

Mr. Delman said that private investors who fled the market will only be tempted back if they see stock prices steadily climbing. This, he added, could happen early next year if plans to bring more investment funds into the market are successful. Currently, the \$1 billion Pioneer First Polish Trust is the country's only domestic equity fund.

Under a mass privatization program planned for next year, 450 state-owned businesses will be brought into the market at once.

Poland's finance minister, Grzegorz Kolodko, predicts that the country's gross domestic product, currently at 4.5 percent, will hit 5 percent this year. He has also said he hopes to bring Poland's budget deficit down to 4 percent of GDP.

Some economists say he is well on target.

While the number of investment options in Poland is growing, it can still be difficult for foreign investors to get into the market, even though bureaucratic restrictions are few.

George Storozyński, director of the Warsaw office of London-based brokerage Barclays de Zoete Wedd, says: "If you can get over the geographical and linguistic problems of finding a broker in Poland and manage to open an account here, there are relatively few obstacles for foreigners buying shares."

Kenneth King, head of emerging-market investment with Kleinwort Benson Group, the London fund manager, said that his funds only have a 1 percent weighting in Poland.

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SPORTS

Joe DiMaggio Is 80, (80?), and Still Baseball's Greatest Living Icon

By Ira Berkow
New York Times Service

NEW YORK — The elderly man and his companion had driven off the New Jersey highway on a recent afternoon to use the facility of a restaurant. Once inside, the elderly man, as he often does, set off a commotion among the patrons.

His familiar face is long and lined, his eyes rheumy, his hair now snow white. He is slightly stooped from arthritis — his aching knees and arm remnants of his former occupation. He wears a pacemaker to juice his heart, and recently underwent stomach surgery for a long-suffered ulcer.

When the proprietor learned who had entered his establishment, he elbowed his way through the crowd.

"Follow me," he said. And led the man and his friend through the kitchen to the back door.

"Do you know how many kitchens I've had to go through in my life?" the man said offhandedly to his friend.

This was Joe DiMaggio, who turned 80 on Friday. This was Joe DiMaggio who still, remarkably, cannot go out in public without heads turning and grown men and women reverting to the children inside them, and children pursuing someone as seemingly aged but fabled as Odysseus.

This was Joe DiMaggio who still, 43 years after he played his last baseball game, remains a national symbol, a reigning star, a living and breathing legend.

"Who else is there who has his aura?" a friend was saying. "Al? Sinatra? Who else?"

Few, to be sure. A baseball bat signed by him sells for \$4,000, twice as much as that of any other living ballplayer past or present; his baseball for \$400, also tops. When Paul Simon sought a line in a song about longing for another day, he wrote, "Where have you gone, Joe DiMaggio?"

The son of an Italian immigrant who was a San Francisco fisherman, DiMaggio carries himself with the dignity and grace of old, when, it was said, he never made a difficult catch in center field. That is, he never made a catch *look* difficult. He understood positioning, understood the hit, was smoothly off with the crack of the bat.

When Hank Greenberg asked for advice on playing the outfield, DiMaggio instinctively instructed, "Float in for the ball."

DiMaggio has withstood the test of time, the world of coffee and banking commercials, the paparazzi, and a nine-month marriage to a woman who, on their honeymoon in the Far East in 1954, entertained the troops in Korea and signed her official Department of Defense ID, "Norma Jean DiMaggio."

Joe DiMaggio, trim and still impeccably dressed with suit and tie, manicured hair cut regularly, ever conscious of his image, remains the acme of elegance in sports, and the prototype of a time past, a time glorious in some memories but not necessarily in fact.

He was a baseball star during the Depression, when Jim Crow was rife, when World War II erupted, when the McCarthy era was burgeoning.

But during those years, he led the New York Yankees to the World Series 10 times in 13 seasons, socking 361 home runs over his career and, in 1951, hitting in 56 straight games, still a major league record.

Bobby Brown, a Yankee teammate, remembers that DiMaggio could always be counted on. "Whenever there was a clutch situation, you knew that Joe was going to come through," he said, "and even when he was sick or hurt, he almost always did."

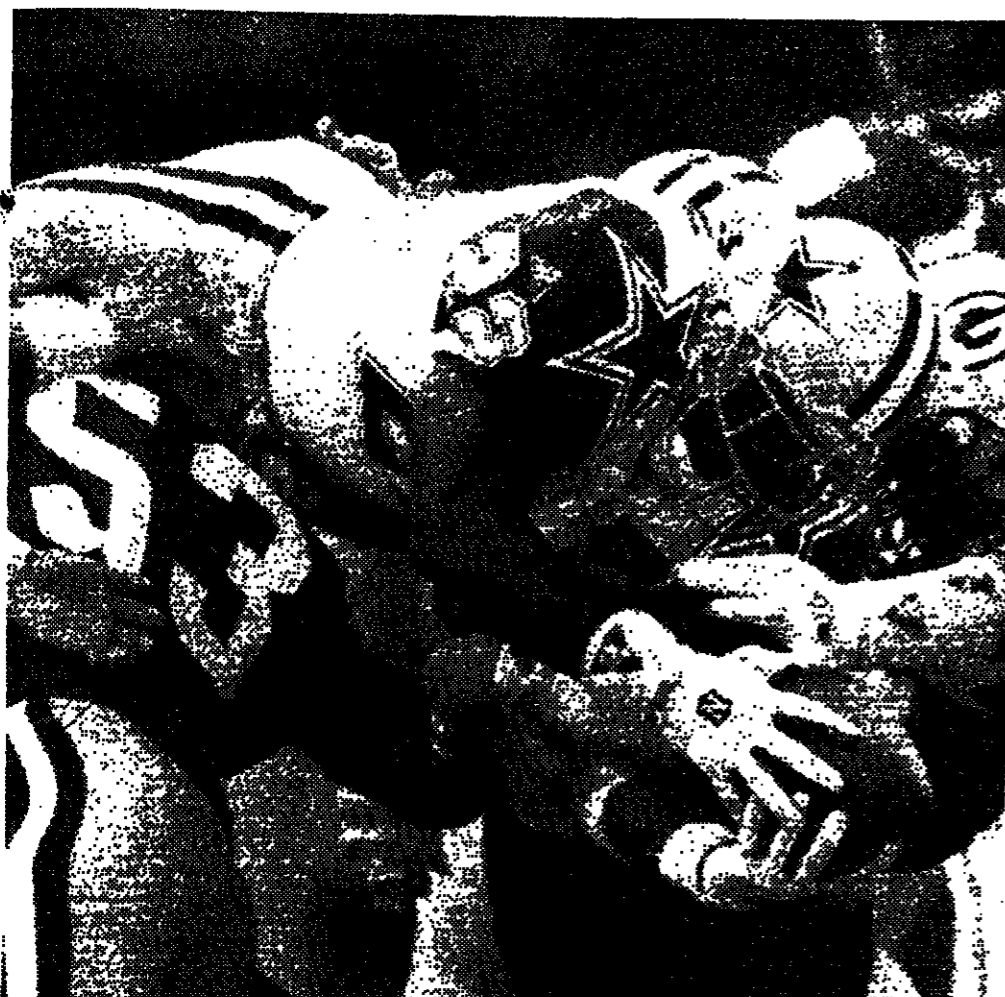
He did it quietly, too, letting his actions speak for him, a quality that seems almost Victorian today. He carried much of the pressures inside him. He endured stomach problems, and developed ulcers during his famed hitting streak. He was immortalized by Hemingway when his Old

Man in the sea daydreamed about taking "the great DiMaggio fishing."

DiMaggio himself is an old man now, sometimes cranky, sometimes forgetful, sometimes needing help in ways he never did before. But he too may go back in time, listening to the Big Band music on tape, or even one of the songs about him, like "Joltin' Joe."

On occasion, he will attend a game. Last season, said his friend Morris Engelberg, the two went to see the Florida Marlins, not far from DiMaggio's condominium near Fort Lauderdale. "After watching the outfielders run back and forth and sideways chasing fly balls," Engelberg said, "Joe turned to me and asked, 'Can't anybody make an easy catch anymore?'"

For much of the nation, Joe DiMaggio, 80 years old Friday, still does.



Emmitt Smith rushed 32 times for 133 yards and two scores, caught six passes for 95 yards.



Jason Garrett, sacked by Reggie White, bounced back with a 311-yard second half.

Cowboys Gallop In Second Half

Compiled by Our Staff From Dispatches

IRVING, Texas — Things looked very grim for the Dallas Cowboys in the first half. Their rookie right tackle, Larry Allen, appeared to be haunted by a one-armed defensive end named Reggie White, who kept trying to bury his quarterback.

And the Dallas quarterback, Jason Garrett, starting in place of Troy Aikman, was running for his life. The Cowboys' offense had stalled and the defense, ranked No. 1 in the National Football League entering the game, was in hiding.

While the Green Bay Packers scored 17 points in the opening half, the Cowboys managed just 6. It looked as if Green Bay was on its way to a rout.

But starting with the second-half kickoff, the Cowboys sprang to life, ripping off 36 points — the most for a second half in the team's history — and went on to beat the Packers by 42-31 on Thursday.

Garrett, the onetime Princeton quarterback who was making his second start for the Cowboys, was magnificent in the second half. After completing seven passes for 113 yards in the first half, he led the Cowboys to six consecutive scoring drives to open the second half, scoring five straight touchdowns while completing 15 of 25 passes for 311 yards and two scores.

He forced the Packers to give up a season-high 436 yards.

All that overshadowed a magnificent performance by Green Bay's quarterback, Brett Favre, and Sterling Sharpe, who hooked up for four touchdown passes in the game. Favre, who completed 27 of 40 passes for 257 yards, threw two touchdown

passes to Sharpe in the first half, then added a 30-yarder and a 5-yarder in the second.

Both teams were supposed to be without one of their major components. Rodney Peete, Aikman's No. 1 backup, was out because of a sprained thumb, and Aikman's sprained knee did indeed keep him on the bench. But White's sprained elbow did not; with enough white tape around his left arm to classify him as part mummy, White played. And well.

On his first play in the game, White, with his good arm, tossed aside the 325-pound Allen, made a beeline to the backfield, leaped like a huge cat and flattened Garrett just as the quarterback released a pass. On that one play, White, the league's career sack leader, proved that he is the league's most dangerous pass rusher even with one arm.

Garrett, with the full use of both arms, was not up to beating the Packers single-handedly. But he did get a lot of help from Emmitt Smith, who caught six passes for 95 yards and rushed 32 times for 133 yards and two scores. He is the first runner this season to gain more than 100 yards against the Packers.

"That's why they're world champions," said the Packers' coach, Mike Holmgren. Garrett, he added, "made the throws he had to make, but it helps to be able to hand the ball to Emmitt Smith."

"There's a lot of firepower on this team and I was 1-11th of it," said Garrett, who played in the Canadian and World Football leagues before latching on with Dallas. "A lot of guys made my whole task a lot easier."

(NYT, AP)

Another Remarkable Day for Doug Flutie

The Associated Press

VANCOUVER, British Columbia — Doug Flutie, the Heisman Trophy winner from Boston College, has become the first player in CFL history to be honored as the league's outstanding performer for the fourth straight year.

The Calgary Stampeders' quarterback had been tied with Jackie Parker and Russ Jackson as the only consecutive three-time winners.

Flutie, who threw a record 48 touchdown passes this year, edged Baltimore running back Mike Pringle, 33-19, for the Chrysler Canada Award in voting by the Football Reporters of Canada in each CFL city.

Flutie has played five seasons in the CFL and the only time he didn't win the award was as a rookie in 1990 with the B.C. Lions.

Ten years ago on the day after Thanksgiving, in misty Miami, Flutie threw one of the most famous passes ever thrown. It sailed 64 yards on a spiral, into the hands of Gerard Phelan and into history, the last unbelievable play of an unforgettable game. Boston College 47, Miami 45.

Flutie threw for 472 yards, Miami's Bernie Kosar for 447. The teams totaled 1,282 yards of offense. The lead changed hands five times in the fourth quarter, the last time on Flutie's pass on a play that began with six seconds left.

PER-PLEXITIES by Jacques Liwer

- ACROSS**
- 1 Riff-offs
 - 6 Ventricles' outlets
 - 12 Kind of cheese
 - 18 Central Asian capital
 - 19 Necked
 - 21 Immigrant, to the British
 - 23 Riled up
 - 24 Dog assessing shoplifting, e.g.?
 - 26 "The Birthday Party" playwright
 - 28 Double-crosser
 - 29 Money-changer's profit
 - 30 Faustian pact
 - 31 Look-alikes' container
 - 32 Jean Lafitte et al.
 - 35 Triple-decker sandwich
 - 38 — du Diable
 - 39 Environmentally concerned
 - 40 Intrafamily chat?

- DOWN**
- 44 Bombast
 - 46 Sun, talk
 - 47 Supervision
 - 48 Stretch
 - 49 Passé
 - 52 Fathers
 - 53 — di Como, Italia
 - 54 What laid-off workers need to remember?
 - 59 Do an antique dealer's job
 - 61 Handed down
 - 62 Idol's place
 - 66 Something to believe in
 - 67 Capone's nemesis
 - 68 Audi rival
 - 70 Charlottesville sch.
 - 71 Made a successful stand
 - 75 Used a stethoscope
 - 79 Fox and others, informally

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- DOWN**
- 1 Ship officer (with orders for this puzzle?)
 - 2 Latin dance
 - 3 Wild —
 - 4 American Kennel Club outcast
 - 5 Is in Morpheus's arms
 - 6 Uraeus, an ancient Egypt
 - 7 Run
 - 8 Spinner
 - 9 High-calorie desserts
 - 10 Compilation
 - 11 Brittle
 - 12 Hired escort
 - 13 Cell component
 - 14 U.N.C. athletic gyp
 - 15 High points
 - 16 Mexican revolutionary Zapata
 - 17 "The King of Kings" director
 - 18 Archeological site
 - 22 Throw off
 - 23 Firing places
 - 27 Sugarloaf Mountain site

- ACROSS**
- 80 Falsely sent legal panel to insane asylum?
 - 82 Variety of cotton
 - 83 Papal tribunals
 - 84 "This — stickup"
 - 85 Alpinist's need
 - 86 Landed
 - 87 Grazing land
 - 90 Ice-T's services?
 - 94 Inexpensive Sherlock Holmes job?
 - 99 Part of TNT
 - 100 Thai's neighbor
 - 101 Cravings
 - 102 Treaty site of 1925
 - 103 Musical notes
 - 104 Cost of playing
 - 106 "Mark Trail" cartoonist Ed
 - 109 Shopping range order
 - 110 Like some tonight
 - 112 Hobo gridlock?
 - 117 Kind of pie
 - 118 Latecomer
 - 122 Poor man's pesthouse
 - 123 Approximates

Solution to Puzzle of Nov. 19-20

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With a Victory, Jets Can Pull Even With Dolphins

New York Times Service

New York Jets (6-5) at Miami (7-4): With the AFC East lead on the line, this is a big game for both teams. The Dolphins have been in a slide since losing Keith Byars for the season to a knee injury two weeks ago.

NFL MATCHUPS

The Jets have been playing relatively mistake-free football the last four weeks, creating 20 takeaways and yielding just 7 giveaways. Their offensive line has allowed 4 sacks in the last five games. Odds makers favor the Jets by 2 points.

Houston (1-10) at Cleveland (8-3): Browns have allowed just 4 touchdowns at home this year, only 2 in last four games. Further, they are coming off a heartbreaking loss in Kansas City. Browns by 8.

Philadelphia (7-4) at Atlanta (5-6): Falcons' 19 interceptions leads NFL, and they get Andre Rison back from a one-game suspension for being tardy to meetings, while Eagles have a habit of taking teams lightly. Eagles by 2½.

Tampa Bay (2-9) at Minnesota (7-4): Buccaneers' Brett Favre has rushed for over 100 yards in back-to-back games, but Vikings have league's top defense against the run, allowing just 61.8 yards a game. Having been stunned two weeks in a row by AFC

East teams, Warren Moon and his receivers should get back on track in a big way against the Bucs' defense. Vikings by 13.

Giants (4-7) at Washington (2-9): Ken Harvey's 10.5 sacks for Redskins leads NFL. The Giants' quarterback, Dave Brown, appears recovered from concussion suffered Monday night. Redskins by 2.

Chicago (7-4) at Arizona (5-6): Steve Walsh is 6-0 as Bears' starting quarterback, and has been sacked just twice in last five games. Cardinals' defense has thwarted 90 of opponents' 128 third-down attempts — best in NFL — but offense can't mount a rushing attack and passing game is scatter-shot. Cardinals by 2.

Cincinnati (2-9) at Denver (5-6): Broncos' Glyn Milburn leads NFL running backs with 58 catches; 58; Denver Scott is averaging 20.3 yards a catch, best among receivers with 20 or more. Denver can score points in bunches. Broncos by 9.

Kansas City (7-4) at Seattle (4-7): Chiefs, turning it on for stretch run to division title, have plus-12 turnover ratio that leads NFL. Defense has held last two opponents to under 100 yards rushing, forcing them to pass. But Seahawks' Rick Mirer has 1.8 interception percentage (on 337 passes), lowest in AFC. Chiefs by 4.

L.A. Rams (4-7) at San Diego (8-3): Chargers' Stan Humphries, who has thrown

just 3 touchdowns and 7 interceptions in last four games, had arthroscopic surgery to remove loose cartilage from his elbow this week. Natrone Means has been held to under 60 yards last two games, while Rams' Jerome Bettis is the No. 3 rusher in NFC with 856 yards. Chargers by 8.

Pittsburgh (8-3) at L.A. Raiders (6-5): Raiders have given up 159 points in last nine games, after allowing 82 in first two. Steelers have No. 2 rushing attack in AFC (130.6 yards a game). Barry Foster, in third week back from knee injury, could have a big day on grass. Raiders by 3.

New England (5-6) at Indianapolis (5-6): Colts' Don Majkowski, sprained thumb and all, will start and get lots of help from running back Marshall Faulk. That is the key: Colts have to control the ball to keep it away from Drew Bledsoe. Patriots are hot right now, with Marion Butts rushing for season-high 88 yards last week. Colts by 2.

San Francisco (9-2) at New Orleans (4-7): Steve Young's 8.17 yards a pass play leads NFL, and 49ers can clinch NFC West title with a victory. Saints' last four games have been decided by a total of 10 points; that trend is unlikely to continue Monday night. 49ers by 8.

These matchups were compiled by Timothy W. Smith.

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